


## Ambition: The Boost for a Long-living Company



**Our mission is**  
**to create long-term economic and social value,**  
**taking the benefits of progress and innovation**  
**to an ever-increasing number of people**


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**A strong corporate culture  
with a clear mission and values in our DNA**

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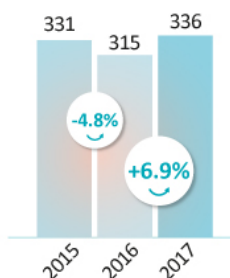
SONAE AT A GLIMPSE  
A Multinational Group  
with Solid Roots and  
a Constant Drive  
Towards Progress

## Our numbers in 2017

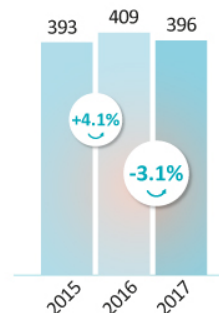
**Turnover evolution**  
(€M)



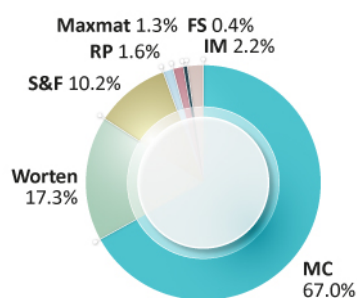
**Underlying EBITDA evolution**  
(€M)



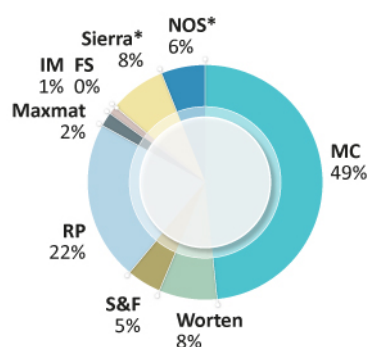
**EBITDA evolution**  
(€M)



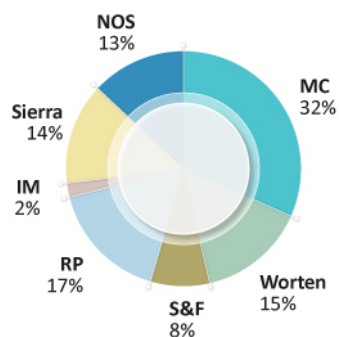
**2017 Turnover breakdown**  
(€5,710 M)



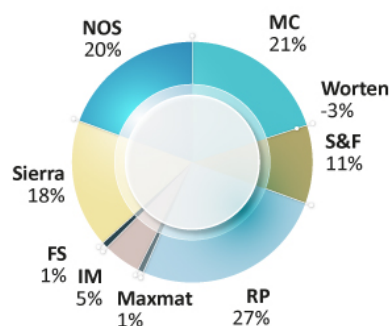
**2017 EBITDA breakdown**  
(€396 M)



**2017 Enterprise value breakdown**  
(€5,202 M)



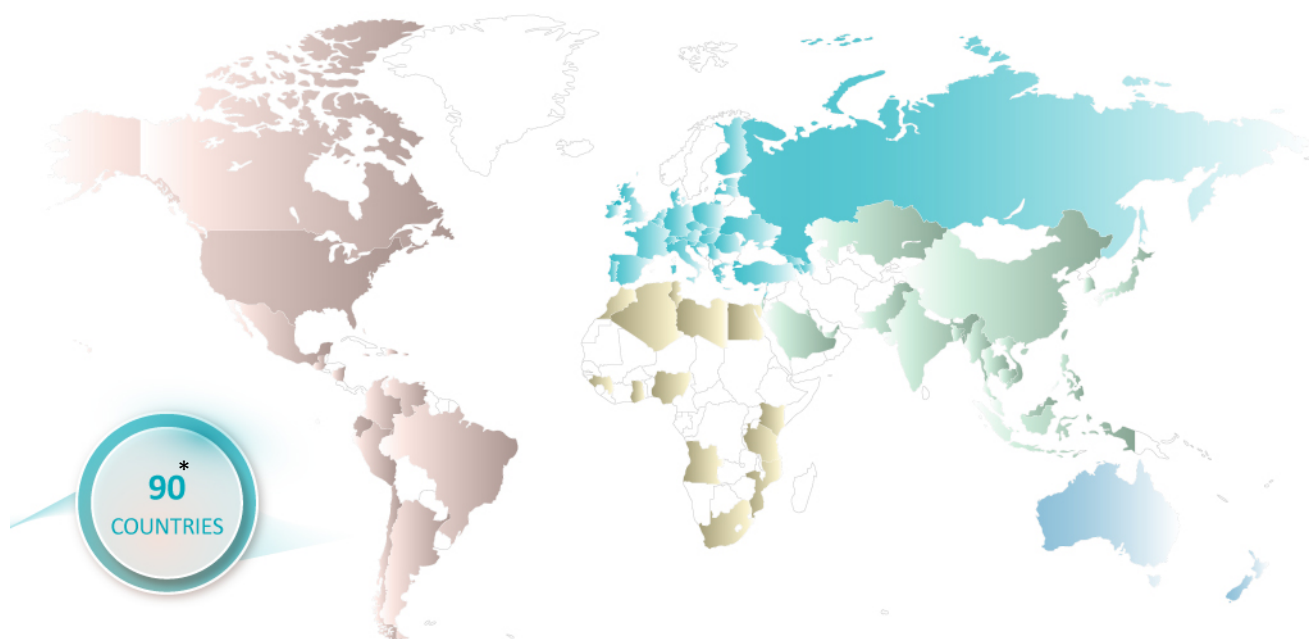
**2017 Invested Capital breakdown**  
(€3,248 M)



Note: Turnover, EBITDA and Invested Capital breakdown do not include "others, eliminations & adjustments".

\* Equity consolidated

## Our world



### Europe

Armenia	Denmark	Hungary	Portugal	Spain
Austria	Estonia	Italy	Republic of Ireland	Switzerland
Azerbaijan	Finland	Kazakhstan	Romania	Turkey
Belgium	France	Latvia	Russia	UK
Croatia	Georgia	Luxembourg	Serbia	Ukraine
Cyprus	Germany	Netherlands	Slovakia	
Czech Republic	Greece	Poland	Slovenia	

### Asia

Bahrain	Singapore	Japan	Pakistan	Thailand
Bangladesh	India	Kuwait	Philippines	United Arab
Cambodia	Indonesia	Lebanon	Republic of Korea	Emirates
Qatar	Iraq	Malaysia	Saudi Arabia	Vietnam
China	Israel	Myanmar	Taiwan	

### America

Argentina	Cayman Islands	Ecuador	Nicaragua	USA
Bahamas	Chile	Guatemala	Peru	Venezuela
Brazil	Colombia	Martinique	Puerto Rico	
Canada	Dominican Republic	Mexico	Trinidad & Tobago	

### Africa

Algeria	Egypt	Libya	Nigeria	South Africa
Angola	Equatorial	Morocco	Kenya	Tanzania
Cape Verde	Guinea	Mozambique	Réunion	Tunisia
	Ghana			

### Oceania

Australia	New Zealand
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\* Includes operations, services rendered to third parties, representative offices, franchising agreements and partnerships. Excludes wholesale in retail.

## Our sustainability approach

At Sonae, we structure Sustainability upon 5 axes: **People, Business, Partners and Suppliers, Community and Environment**. Please refer to the Sustainability Report\* for further information.

### People | Sustainability: the pulse for our people

- One of the largest employers in Portugal: 46,155 employees
  - 65% women and 35% men
  - 9.2% of women promoted and 11.1% of men promoted
  - 33% of management positions are held by women
- 24 geographic areas with local teams
- More than 1 million hours of specialised training
- 0.002 rate of work-related accidents

### Business | Sustainability: the pulse for our businesses and products

- Present in 90 countries
- Creation of approximately 1,800 jobs
- 216 awards and recognitions

### Partners and suppliers | Sustainability: the pulse for our partners and suppliers

- 77% Purchases from local suppliers
- 84% Suppliers qualified\*\*

### Community | Sustainability: the pulse for our communities

- 1,617 volunteers
- 7,233 hours of volunteering to help the community
- 9,661,555 € in community support to social, human and cultural causes
- 1,400 institutions supported

\* The Sustainability Report focuses on the period of activity from the 1<sup>st</sup> January 2017 to the 31<sup>st</sup> December 2017 of Sonae, Sonae MC, Sonae Sports & Fashion, Worten, Maxmat, Sonae RP, Sonae FS, Sonaecom (Sonae IM and Others) and Sonae Sierra. Sonaecom does not consolidate NOS non-financial data.

\*\* Sonae MC, Worten and MaxMat.

## Environment | Sustainability: the pulse for our planet

- 41 Continente stores with the ISO 14001 Environmental Management System certification
- 20 of Sonae Sierra's shopping centres have the ISO 14001 Environmental Management System certification and 18 have the Occupational Health and Safety Management Certification OSHAS 18001
- Continente Matosinhos recognised as the "greenest" hypermarket in the world, achieving the Platinum certification awarded by the Leadership in Energy and Environmental Design (LEED)

- Energy consumption (MW): 3,400,295
- Waste recovery rate (%): 82%\*
- CO<sub>2</sub> emissions (tonnes): 1,023,992
- Water consumption (m<sup>3</sup>): 2,866,801

\*Sonaecom and Sonae RP do not report this information.

## Our awards and recognition

### Sonae

#### Best MBA Employer 2017

The MBA Employer Award recognises organisations that share AMBA's passion and have adopted a proactive and innovative approach to MBA attraction, recruitment, talent management and succession planning.

#### Thomson Reuters IX Global Diversity and Inclusion

Sonae is now in the top 100 world companies in the Thomson Reuters IX Global Diversity and Inclusion Index, a distinction that reflects that environmental, social and governance values and principles are part of our DNA.

#### Several brands, but the same Culture of Success

Our true success stems from our customers. We strive to show them our commitment and responsibility, working daily to ensure their invaluable recognition.

17 Consumer Choice\* awards

7 Trusted brands\*\* awards

### Sonae Sierra

#### Best Retail Developer and Best Retail Development & Developer across CEE & SEE region

Sonae Sierra was recognised in the Best Retail Developer and the CIJ HOF (Hall of Fame) Awards 2017 for the quality and innovation in the development of ParkLake Shopping Centre (Romania).

\* *Escolha do Consumidor*

\*\* *Marca de Confiança*

### Sonae MC

#### Continente Matosinhos – The “greenest” hypermarket in the world

Continente Matosinhos was awarded the Platinum LEED certification by the U.S. Green Building Council. A recognition of our efforts to promote a better environment, a better world.

### Sonae Sports & Fashion

#### Berg Outdoor - ISPO Award 2017

#### Footwear Lifestyle – Jindo Burel shoe

ISPO Award honours the most exceptional sporting goods based on innovation, design, functionality and Eco responsibility.

### Worten

#### Jannus du Commerce - New store concept

The Jannus du Commerce award highlights Worten's innovative personalised service with the creation of a more enjoyable point-of-sale made available through their digital and online services. Their various delivery options, the development of specific consumer profiles, the training of staff and the availability of exclusive video games in-store were recognised.





SONAE GROUP  
Reinforcing Our Strongest  
Competitive Positions is a  
Key Condition for our  
Long-term Sustainability

## Our history



### 50's to 70's

#### Holding operations

**Foundation of Sonae** - Sociedade Nacional de Estratificados (18<sup>th</sup> August 1959)

**Belmiro de Azevedo** is hired (1965)

#### M&A / Disposals

Acquisition of **Novopan** (1971)

### 80's

#### Capital markets

**1983** - launch of Sonae in the **capital markets**

**7 IPOs** for: Particleboard, Food Retail, Tourism, Media, Robotics, Shopping Centres, electricity and cooling (1987)

#### M&A / Disposals

Acquisition of **Star** (travel agency) (1989)



#### Openings

**Opening of the 1<sup>st</sup> Hypermarket** in Portugal: Continente (1985 - Matosinhos)

**Opening of Sheraton Palácio Hotel** (1986) (currently Porto Palácio Hotel)

**Opening of the 1<sup>st</sup> two Shopping Centres** built and managed by Sonae (1989 - Portimão and Albufeira)

### 90's

#### Capital markets

**Acquisition of a controlling position in Tafisa** (wood panels) (1993)

#### Holding operations

Set up of **Sonae Tourism** (1994)

**Partnership** between **Sonae Sierra** and **Grosvenor** (1997)

#### M&A / Disposals

**Disposal of Ibersol** by Sonae Capital (1994)

**Opening of Centro Colombo**, the largest shopping centre in the Iberian Peninsula (1997)

**Launching of Optimus** (1998 - telco operator)



## Our history

00's

### Capital markets

**Sonae Sierra delisting** (2001)

**Spin-off of Sonae Indústria** (2005)

**Sonaecom takeover bid for PT and PT Multimédia** (2006)

### M&A / Disposals

**Partnership** between **MDS** (insurance company) and **Cooper Gay** (insurance broker) (2004)

**Sale of:**

(i) Sonae's stake in **Portucel** (2004);

(ii) **Sonae Distribuição Brasil** to the Wal-Mart Group (2005) and

(iii) **Enabler**, by Sonaecom (2006)



### Holding operations

**Paulo Azevedo becomes the CEO of Sonae** (2007)

### M&A / Disposals

**Acquisition of Carrefour Portugal** (2007)

**Disposal** of (i) **Contacto**, by Sonae Capital (2008) and (ii) **49.9% of MDS capital** to Suzano Group (2009)

2007  
to 2009

### Capital markets

**Spin-off of Sonae Capital** (2007)



### Holding operations

**Launching of the new corporate identity** (2010)

**Launching of "Obrigações Continente"**, a €200 M bond issue available through a public subscription offer to retail investors (2012)

### M&A / Disposals

**Sale** of Sonaecom's stake in **Altitude's** share capital (2010)

**Sonae RP completes sale & leaseback transactions:** cash-in of **€159 M** (2010 and 2011)

### Openings

**Acceleration of international expansion** of several brands from Sonae (2010) (Zippy, Worten, Sport Zone, Berg, Deeply, ...)

2010  
to 2012

## Our history

2013  
and 2014

### Capital markets

Sonaecom launches a tender offer for the acquisition of a maximum of 24.16% of its share capital. The level of acceptance reached 62%, corresponding to aprox. 55 million shares (2014)

### M&A / Disposals

Merger between Zon and Optimus and creation of the NOS brand (2013)

Sonae RP completes sale & leaseback: cash-in of €14.5 M (2014)

Sonae IM pursues its strategy of active portfolio management: sale of Mainroad to NOS and acquisition of 60% of S21Sec and Movvo investment

### Holding operations

Launch of a convertible bond offer due in 2019 with a principal amount of € 210.5 M (2014)

### Holding operations

Paulo Azevedo becomes Chairman and Co-CEO of Sonae (2015)

Ângelo Paupério is elected Co-CEO of Sonae (2015)



2015  
and 2016

### Openings

Sonae Sierra opens ParkLake shopping centre in Bucharest, Romania (2016)

Sonae MC opens 1<sup>st</sup> supermarket specialised in healthy food (2016)

### M&A / Disposals

Disposal of GeoStar, by Sonae IM (2015)

Sonae RP completes sale & leaseback transactions: cash-in of €436 M (2015 and 2016)

### Acquisitions:

- (i) Losan, by Sonae Sports & Fashion (2015);
- (ii) 50% of Salsa's share capital, by Sonae Sports & Fashion (2016);
- (iii) a stake in ES Ventures (currently Armilar Venture Partners), by Sonae IM (2016)

### Openings

Sonae MC launches 1<sup>st</sup> dental and aesthetic medicine clinic, Dr. Well's

### M&A / Disposals

Sonae RP completes 2 sale & leaseback with a cash-in of €37 M

### Acquisitions:

- (i) 51% participation in Go Well, by Sonae MC
- (ii) 100% of Brio's share capital, by Sonae MC
- (iii) minority stakes at Probe.ly, Ometria, Seculoud,

Continuum Security and Arctic Wolf by Sonae IM

Agreement between Sport Zone, JD Sports and JD Sprinter



2017

## Portfolio structure

### Fully Consolidated



FOOD  
RETAIL



ELETRONICS  
RETAIL



SPORTS &  
FASHION  
RETAIL



RETAIL  
PROPERTIES



INVESTMENT  
MANAGEMENT



FINANCIAL  
SERVICES



### Equity Consolidated



RETAIL REAL ESTATE DEVELOPER,  
OWNER AND MANAGER



TELCO



indirectly  
owned

\*Part of the Iberian Sports Retail Group which will be Equity consolidated (30%) from 2018 onwards.

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## Chairman's message

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"Creating long-term economic and social value, taking the benefits of progress and innovation to an ever-increasing number of people, as we pledge to do in our mission, is not an easy task. It implies innovation, growth, a long-term and sustainable perspective whilst creating economic and social value. We are pleased to be able to report a year of significant progress on all these fronts.

Our consolidated turnover grew approximately 7%, as did our underlying EBITDA, and our largest non-consolidated companies, Sonae Sierra and NOS, grew turnover by 7.0% and 3.1%, respectively with underlying EBITDA surpassing those growth rates.

Over the last ten years, the World has witnessed a major financial crisis, social meltdowns and political instability and southern Europe, in particular, underwent one of the worst economic recessions in recent history. Additionally, technological advances, an increasing number of well-informed consumers, rapidly changing consumer trends and more demanding stakeholders have created an environment of continuous disruption in the business landscape. Our resilience and capacity to stay ahead of our competitors are permanently challenged, but **at Sonae, we look at challenges as opportunities** and we thrive in this environment. We demonstrated our resilience at the bottom of the cycle and are now keen to demonstrate that we have retained our ability to grow rapidly through innovation, transformation and continuous improvement of the way we work. As part of this continuous adaptation, we have fine-tuned our corporate structure by significantly **increasing the management autonomy of each of our businesses, allowing them to become more focused, more independent and more agile.**

Our corporate strategy continued to follow three guiding principles: **strengthen and leverage our key assets and competencies, drive international expansion and diversify business models and investment approach.** Throughout the year, we have been actively pursuing opportunities in all the strategic pillars with an increasing focus on growth. To highlight just a few:

- The decisive push in the expansion of smaller city centre and smaller community stores, which has reinforced our food retail market share and brought us into areas where we were not conveniently present.
- Rapidly taking the nº1 position in organic and health food through acquisition and organic expansion of specialty stores, coupled with a radical new approach in Continente stores.
- Breaking through the €100 M turnover threshold in e-commerce by accelerating growth rates, with particular success at Worten, and launching new initiatives.
- Beginning of the development of shopping centres in two new countries — Morocco and Colombia.
- The merger with two new partners to create a sizeable Sports Retailing group in Iberia with strong growth prospects.

**Sonae's definition of sustainable success cannot exist without a sustainable Society** and we take our social responsibilities very seriously. We are proud to be included in the World top 100 *Thomson Reuters IX Global Diversity and Inclusion Index*, an innovative benchmark of companies that guide their operations based on environmental, social and governance values and principles. We were at the forefront of the *Paris Pledge for Action*, and our Continente store in Matosinhos was recognised as one of the most environmentally friendly hypermarkets in the World with the Platinum certification by the *Leadership in Energy and Environmental Design (LEED)* of the U.S. Green Building Council. *Transformar-te* – a pioneering Sonae project aimed at reducing food waste – was also recognised in the Food Sustainability category in the 8<sup>th</sup> edition of the *Food & Nutrition Awards*.

Winning with this set of goals implies a strong partnership of trust and commitment between all stakeholders. In particular, it is fundamental that management and employees retain the ambition to achieve best in class long-term sustainable performance and that shareholders are sufficiently knowledgeable to judge the merits of long-term strategies. I am pleased to report the growing recognition amongst partners, suppliers, staff, customers and

shareholders of our high ethical standards and positive contribution to the countries where we operate. The most remarkable is perhaps the increase in the number of shareholders who recognise the wide social responsibility of companies and are particularly keen to invest in companies which are seriously devoted to sustainability.

Sonae shares closed the year with an increase of 28.8%, surpassing market performance (PSI-20). Besides the improved performance achieved with a reduction of net debt of 8.4%, coupled with greater maturity and a lower cost of debt, I believe the market increasingly recognises our dividend policy which aims to be coherent with our **aim to create long-term sustainable value for our shareholders** by providing a steady growth in value over the years.

We actively communicate to capital markets our long-term view, coupled with our commitment to all stakeholders. Our aim is to **encourage investors with the same beliefs and discourage those who might seek short-termism or who may be less inclined to consider the overall social responsibility of corporations.**

Unfortunately, 2017 was also a sad year for Sonae. My father, our founder, passed away. His vision was the driving force behind Sonae as a long-living company, with an insatiable appetite for success based on innovation and sharing sustainable growth. We are extremely proud of his legacy. **We will strive to carry it forward**, honouring his vision of success, anchored in solid corporate and social values. His way. Our way.

We stand in sincere gratitude to all that have contributed to making the achievements of last year possible and hope you will all feel proud and energized to surpass them this year.”

Paulo Azevedo, Chairman and Co-CEO

## Corporate strategy

### Our Mission

**To create long-term economic and social value**, taking the benefits of progress and innovation to an ever-increasing number of people.

### Sonae and Capital markets

We are a company which is majority owned by one shareholder who has shaped our culture and beliefs. We are a publicly traded company with a large free float and a responsibility to over 20 thousand shareholders.

We believe that our founding motives to “contribute to economic development and to promote overall social well-being” have made us stand out as a responsible and ethical example and have led to outstanding returns.

**We actively seek to communicate to capital markets our long-term view and commitment to all** stakeholders aiming to encourage investors with the same beliefs and discouraging those who might seek short termism or who may be less inclined to consider the overall social responsibility of corporations.

### Who we are?

We are a **long-living family-controlled company** with a solid culture managing a wide portfolio of companies across several geographic areas and sectors, aiming to create long-term economic and social value, taking the benefits of progress and innovation to an ever-increasing number of people.

### Ethics, Sustainability and Performance

We focus on a sustainable performance, which can only be attained based on an ethical approach to business. Sustainable success depends on a sustainable society and we believe in partners who share this belief.

- **A strong corporate culture with a clear mission and values in our DNA**
- **A stable shareholder structure**
- **Creating value through 3 transparent strategic pillars**
- **Oriented by a multidisciplinary Board with independent directors**
- **Group Senior Executives totally focused on their respective areas**
- **Steadily growing shareholder’s remuneration**
- **Strong Balance Sheet supporting the businesses**
- **Leading market positions in most of the formats**

## Our Values



### Trust and Integrity

We are committed to creating economic value in the long-term, built on **sustainable relationships with all our stakeholders**. We establish these relationships based on principles of honesty, uprightness and transparency.



### People at the Centre of Our Success

**Our people are a determining factor in our success.** For that reason, we constantly work to improve our employer value proposition in order to attract and retain the most talented and ambitious professionals. We invest not only in developing their capabilities and skills, but also in ensuring thriving and positive work environments, and balanced lifestyles. We promote meritocracy relentlessly and embrace diversity at all levels.



### Ambition

**Ambition is born from continuously establishing goals which will stretch us to our limits, stimulating our energy and reinforcing our determination.** Ambition drives us and keeps us dissatisfied with the status quo, forcing us to go beyond our past successes. We continuously set ambitious goals that stretch our current competences and demand a bold and entrepreneurial attitude from our managers.



### Innovation

**Innovation is at the heart of our businesses.** We always question both our mental models and industry orthodoxies in order to identify opportunities, and we maintain a challenger attitude by continuously improving our value propositions and experimenting new business models, while managing risks within reasonable limits. We know that only by innovating can we grow sustainably.



### Corporate Responsibility

We are committed to **developing our activities based on the principles of sustainable development**, looking to contribute to society beyond the economic value generated by our business activities. In particular, we aim to improve the communities within which we operate by collaborating to tackle the most fundamental environmental and social challenges of our times.



### Frugality and Efficiency

We aim to optimise the use of resources and maximise their return, seeking cost efficiency, and avoiding any waste or extravagance. As a priority, **we focus on achieving operating efficiency, promoting healthy competition, and delivering high impact projects.**



### Cooperation and Independence

We are ready to cooperate with central and local governments, in order to improve regulatory, legal and social frameworks, and **to ensure the best solutions for the communities** within which we operate, but we also take care to maintain our independence in relation to all such entities.

## Our Strategic Pillars

### Board of Directors Mandate

The Board of Directors of Sonae decided that **to be a long-living company, two conditions must be respected:**

1. Keep a solid culture based on the values defined
2. Mitigate risk by diversifying across several geographic areas and sectors

**This mandate is the framework of our 3 strategic pillars:**



### Strategic Pillar: **Strengthen and Leverage our Key Assets and Competencies**

Reinforcing our strongest competitive positions is a key condition for our long-term sustainability. It is the stepping stone for our growth strategy and it is where most of our key competences and assets currently reside. Therefore, keeping core teams dedicated and concentrated on winning in their respective main markets is crucial to underpin Sonae's ambition and fund our growth options.

We will continue to explore new business opportunities that leverage our exceptional capabilities and asset base in Portugal as a way to nurture our portfolio of options for future growth. Besides their inherent business attractiveness, these new ventures should benefit from and reinforce our competences and/or strategic assets, have the potential to become large businesses in the medium term, and allow for a stronger and more balanced portfolio.

We will dedicate a part of our capital to these new ventures, according to their ability to deliver growth and create value. We also will look for early signs of success or failure, guaranteeing that scale-up, merger or divestment decisions are taken as soon as possible.

**Sonae has built an exceptional portfolio of key competencies and assets that are the at the very foundation of our sustainable success.** Our long-term sustainability is ensured through the continuous strengthening of our robust competitive positions. Our key assets and competencies are paramount for our growth strategy, allowing us to embark upon new business opportunities that further promote our unique competencies and expand our asset base in Portugal. Included here are some examples, which clearly demonstrate the strength of this strategic pillar.

## Sonae MC – A true commitment towards strengthening our market leadership

Sonae MC's leadership in the food retail market is the result of different measures implemented, which combined, create a unique dynamic that further reinforces Sonae MC's market presence.

Sonae MC is committed to offer the best products at the best price. As part of this commitment to its customers, Sonae MC has been focusing on the area of fresh products, by adjusting the entire fruits and vegetables supply chain and by strengthening partnerships in meat to offer new products with increased quality.

Sonae MC has also been significantly increasing its presence in the healthy food market and is highly dedicated to raising awareness about the impact of eating well.

Sonae MC has a unique understanding of its customer basis and has been developing promotions and campaigns accordingly.

The unique quality of Sonae MC's products combined with its pricing strategies reflect the true commitment to its customers. Our customers are the key determinant of our success.

"Our sales growth clearly shows the results of a stronger value proposition, namely the effective improvement of the quality of our perishables, as well as the price perception."

Luís Moutinho | CEO Sonae MC



## Sonae MC – We are where our customers want us to be

Sonae MC continued the expansion of its proximity store network with the opening of 19 new Continente Bom Dia stores, reaching 96 at the end of 2017.

Sonae MC believes that improving customer lifestyle by making shopping more convenient is the way to strengthen its customer base. Our drive to create a better, more convenient shopping experience for our customers is demonstrated through our Continente Bom Dia stores, which were designed to provide customers with access to our offers, through an extensive network of contemporary stores which are close-by.

Continente Bom Dia complements Sonae MC's approach to promoting stores which are close-by and convenient, encouraging customers to benefit from the opportunity to purchase fresh products locally. Customers are welcomed, with an open space coffee shop leading to an exciting new shopping experience, soon to become part of their daily routine.

"Continente's store network continues to grow and, 32 years after opening the first store, our priority is the same: the consumer. In response to changes in consumption patterns, we have opted for proximity stores, which concentrate in a single space all the products that the urban and active consumer demand. It is surely a strategy that we will continue in the next few years."

José Fortunato | Executive Board Member Sonae MC

## Sonae MC – Growing position in the Health and Wellness segment

The Health and Wellness segment is an example of Sonae MC's excellence in strengthening and leveraging its key assets and competencies. Following the success of Well's, Sonae MC has taken steps to innovate its services and products related to health and wellness.

In 2017, Sonae MC opened 26 additional Well's para-pharmacy and optic stores, increasing to a total of more than 220 stores (owned and franchised). Well's is one of the most successful business ventures in the Portuguese health care market. Well's is a testimony to the relevance of our retail and is a clear determinant for success.

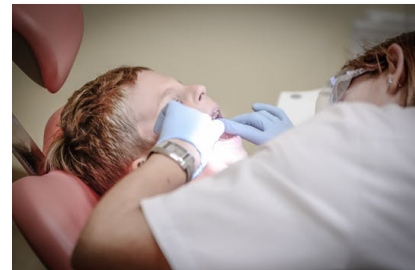
The Health and Wellness segment is now the stepping stone for new projects, namely the Well's Health Plan and the Dr. Well's clinic. Two concepts that consolidate Sonae MC's investment in providing democratised access to quality healthcare services in Portugal.

In 2016, we launched the Well's Health Plan designed to offer easier access to private medical care.

In 2017, Sonae MC established the concept Dr. Well's clinics. An innovative concept that offers specialised dental and aesthetic medical services, using state-of-the-art technologies at affordable prices. This offer will benefit from partnerships with several insurance companies and Well's Health Plan, in addition to financing solutions for advantageous payment options. Our goal is clear: in the next 10 years, we want to be amongst the top 5 health providers in the country.

"At Sonae MC, we are focused on our mission to develop new business areas that can add value to society. Launching the first Dr. Well's Clinic is a new step we are taking in the health and wellness segment. We are launching our first clinics providing quality, improvement and preventive health care services, relying on specialised medical teams and treatments with benchmark equipment, that will allow people to remain healthy and feeling better for a longer period of time."

Inês Valadas | Executive Board Member Sonae MC



## Sonae MC – Healthier options for a better lifestyle

Sonae MC's strategy in the Health and Wellness segment includes a wide variety of strategic approaches. Our growing presence in the Health sector is complemented by an increased offer of healthy food and lifestyles, taking advantage of our unique market position to explore growth opportunities.

Sonae MC continues to increase the range of Continente's portfolio of healthy products and reinforced its presence in this market with the acquisition of Brio supermarkets and Go Natural restaurants. Both deals are pursuant to Sonae MC's strategy to invest in the segment of Health and Wellness, namely in healthy food, fulfilling consumers' growing need for alternatives that promote a healthy lifestyle and contribute to improving their quality of life.

Sonae MC now has a network of 7 healthy, organic supermarkets in Portugal, with a high level of expertise and a wide network of suppliers in the organic segment. Additionally, it also benefits from a restaurant insignia dedicated to healthy food complementing the retail offer, providing customers with differentiated shopping experiences and daily meals of a high level of quality.

Sonae MC is committed to fostering equal access to differentiating products and solutions within the health segment, further consolidating its position as a specialist in wellness. Hence, it will continue to explore opportunities in this area, contributing towards Sonae's mission of taking the benefits of progress and innovation to an ever-increasing number of people.



## Sonae FS – Benefits

Two years after its launch, Universo card continues to deliver a sustainable growth rate with over 600 thousand subscribers at the end of 2017.

Universo reinforces the value proposition of Sonae's loyalty programmes by combining loyalty benefits and payment solutions. The benefits of the Universo card are designed to enable families to manage their budgets and savings more successfully.

Within Universo brand, Sonae FS has been developing new offers, namely in personal loans, insurance, service payments and the introduction of the online store, all of which deliver the benefits of highly price competitive and innovative offers to Portuguese families.

Finally, Sonae FS' Dá cards continue to grow and deliver the benefits and convenience of prepaid cards to our retail customers.

"The number of Cartão Universo subscribers is now around 600 thousand. An outstanding achievement. In just over 2 years, Cartão Universo has become a reference card, representing 13.2% of all credit card transactions in December in Portugal. "

Carlos David | COO Sonae FS



## Worten – Accelerating digital services growth

Worten aims to deliver a powerful value proposition by securing independent advice targeting customers' needs, through proactive and knowledgeable salespeople, digitally enabled content and accessible support, while offering a wide range of products and services at competitive prices.

In this regard, Worten is focused on reinforcing its store network, by creating an enjoyable, informative and exciting space, and providing a distinctive digital customer journey, through an omnichannel model, while extending the range of products and expanding and improving the portfolio of services.

In 2017, Worten's turnover posted a strong evolution, increasing by 10.2% y.o.y. and for the first time surpassing 1 billion euros in sales. This momentum allowed Worten to further increase its market share in Portugal and Spain, both in the offline and online channels.

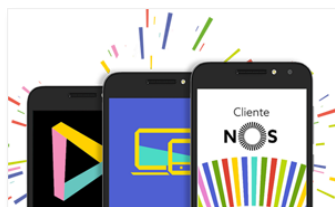


## NOS – The key player in the telecom market

When NOS was created, back in 2013, our goal was to change the landscape of the telecom market. NOS is now a leading player in a highly innovative and competitive market. The company's track record has been outstanding at all levels, delivering stellar operating and financial performances, while increasing its market share across all business segments.

NOS growth has beaten all expectations, with an increase of 25% in the total number of customers in the last 3 years. NOS is currently the undisputed market leader in subscription TV, integrated bundles (3P, 4P and 5P) and is steadily approaching market leadership in other segments.

Despite the intense market competition, NOS innovative services and offers are a distinctive factor that allows for a sustainable and solid financial performance with consolidated revenues growing once again in 2017 (+3.1%) and EBITDA increasing at an even faster pace (+4.3%).



## Strategic Pillar: Drive International Expansion

Internationalisation will remain our key growth driver for many years to come. This is our top strategic priority and we will deploy resources accordingly, as we have the opportunity to enlarge our international footprint and transform Sonae into a large multinational corporation. This is the only option which guarantees our long-term sustainability and is consistent with our level of ambition and growth.

We have an outstanding management team, expertise and reputation in our current businesses and can use them to create value on a larger scale and in markets that are growing faster and have a higher potential. Therefore, new investment opportunities, both organic ventures and acquisitions, should include sizeable internationalisation potential. We will target opportunities in several geographic areas, but we will give particular focus to markets with high growth prospects, stable economic conditions and good governance practices.

**Internationalisation** plays a pivotal role in our strategy and we will continue to commit the necessary resources to strengthen our international footprint. International markets will remain a key growth driver for many years to come as Sonae becomes a global player. Detailed below are several examples, demonstrating the importance of this strategic pillar.

### Sonae Sierra – A worldwide footprint



Sonae Sierra is constantly searching for new and innovative growth opportunities, positioning itself as a renowned global player with exceptional experience in both project development and shopping centre management. 2017 was a busy year for Sonae Sierra, laying the foundation stones for new projects.

In a partnership with McArthurGlen, Sonae Sierra started the construction of a Designer Outlet in Málaga, Andalusia, a 140 M€ development in the first designer outlet in southern Spain, offering 30,000 square metres of gross lettable area occupied by 170 top brands. The project will be developed in two stages, the first will be completed in 2018.

Sonae Sierra also expanded its activities to Colombia with the construction of Jardín Plaza Cúcuta Shopping Centre, a partnership with the Colombian company Central Control. It is planned to be opened in 2019 and it will be the only open-air shopping centre. The project has an investment of 52 M€ and a gross lettable area of 43,000 square metres, making it the largest shopping centre in Cúcuta.

Moreover, Sonae Sierra launched a new real estate investment vehicle in Spain through ORES Socimi, in a partnership with Bankinter. Socimi's ultimate objective is to invest nearly 400 M€ in commercial real estate assets in the main cities of Spain and Portugal.

Additionally, and in a joint venture with AXA IM, Sonae Sierra acquired Área Sur Shopping Centre in Jerez de la Frontera, Cádiz, Spain. This shopping centre, one of the largest shopping centres in Andalusia, receives close to 7 million visitors a year, benefits from a privileged location in one of the regions of Spain with the largest number of tourists and serves a catchment area of around 450,000 people. Sonae Sierra is committed to devoting its unique expertise to create value by unlocking the underexplored potential of this asset.

Sonae Sierra owns or co-owns shopping centres with a total market value of more than 7 billion euros.

## Sonae S&F – Salsa expansion

Throughout the year, Salsa has expanded and diversified its business, focusing on internationalisation as the key driver to growth. The company strengthened its home market by remodelling 6 stores and opening 2 physical stores but also enlarged its presence in countries such as France and Luxemburg. Spain also remained a point of focus, with 5 new stores opened on the mainland and 2 in the Canary Islands, it now boasts a total of 25 stores. In addition to this direct investment in stores, Salsa has also accelerated its internationalisation expanding its wholesale presence in several European countries, entering new countries such as Italy and Greece and opening franchised stores in Qatar and Angola. Confirming its focus on an omnichannel strategy, Salsa also saw considerable growth in online sales both through its own e-commerce store, as well as through market places.

Salsa's effort to diversify its internationalisation approach and increase its global presence is clearly proving to be a success.



## Sonae S&F – The franchising of Zippy, a successful strategy



Zippy's strategy is based on not only investing in strategic locations, both in mature markets and emerging markets, but also adopting different investment strategies: own stores and a franchise network.

Zippy opened a 600 square metre flagship store in the Dubai Mall, one of the most famous shopping centres, reinforcing its strong presence in the middle east, where it already has 34 stores in Saudi Arabia, Turkey, Lebanon, Qatar and the United Arab Emirates.

The stores benefit from all the advantages of Zippy's latest store concept, including the use of new technologies, with displays that enhance and maximise more interactive and effective communication with customers, while offering a fun and far-easier experience for the whole family.

Zippy now has a remarkable presence with 122 stores in 21 countries around the world.

"The opening of the Zippy flagship store in the Dubai Mall is an important milestone in Zippy's expansion, as it is in a benchmark international shopping centre. This opening has bolstered our wager on international expansion, where we have a turnover that is even higher than in our original market in Portugal."

Joana Ribeiro da Silva | Executive Board Member of Sonae Sports & Fashion, responsible for Zippy

## Strategic Pillar: Diversify Business Models and Investment Approach

We will ensure **high levels of flexibility** in pursuing our **growth ambitions, particularly in international markets**. We will continue to adopt different business models, according to our ability to **accelerate specific opportunities and manage risk**. In practice, we will keep growing our businesses with a mix of organic expansion (both capital heavy and capital light), wholesale, franchising and service rendering.

We will also look to **leverage our resources and capabilities by adopting the most appropriate investment style or mix of styles for each business**, including wholly owned businesses and majority stakes, but also joint ventures and minority stakes. Majority stakes are the appropriate investment style where, on our own or with little contribution from third parties, we have the resources and competences to lead the business and guarantee the development of sustainable competitive advantages and creation of superior value. Minority stakes are the appropriate investment style where we do not have the resources or would benefit from the contribution of third parties to achieve superior value creation. In any case, we are not a financial investor and will always aim to ensure some degree of influence over each business and an ability to add value based on our competences.

Determined to ensure increased flexibility when developing its expansion opportunities, **Sonae endeavors to pursue several business models and styles of investment**. These business models include organic to wholesale growth, franchising and rendering services. The investment styles range from full ownership and majority stakes to joint ventures and minority stakes. Each business model or investment style is adapted accordingly, taking into consideration our capacity to move forward with certain prospects and mitigate risk. Included below are some examples, clearly demonstrating the strength of this strategic pillar.

### Sonae S&F – Leading the market through a partnership in the Iberian sports market



Sonae (30%) has established a partnership with JD Group (50%) and founders of Sprinter (20%), a company currently also owned by JD Group, to merge all operations in Iberia and create a new leading company, the Iberian Sports Retail Group (ISRG). The JD Group focuses on sports, outdoor equipment and fashion and is currently present in 17 countries, with M&As and Joint Ventures playing a key role.

This partnership aggregates the group's store formats JD, Size?, Sport Zone and Sprinter, has an estimated combined turnover of more than 500 M€ (estimated for 2017) and a store network of 311 stores (204 of which are in Spain and the remaining 107 in Portugal). ISRG is now the second largest Iberian Sports Retailer group and will generate further scale, momentum, and resources to continue the current growth of all formats both in Spain and Portugal. Furthermore, the goal is to create an improved and more comprehensive customer offering. This is enriched through strong partnerships with the major sports brands and complemented by own and licensed brands, carefully adapted to each market, providing customers with an enhanced shopping experience.

This deal is a continuation of Sonae's strategy to boast a leading Sports Business as part of its portfolio. As this is one of Sonae's strategic pillars, ensuring a high-level of flexibility in pursuing different business models and investment

styles, this transaction is aligned with this core value. It will also enhance the internationalisation and diversification of investment styles and leverage and reinforce exceptional assets and competences.

At Sonae, we believe in partnerships whereby all partners align their interest and resources towards a common goal. ISRG will benefit from common synergies and experiences, achieving significant economies of scale and higher levels of profitability. This new partnership will be led by Miguel Mota Freitas, who until now has been the CEO of Sonae Sports & Fashion.

"The new joint venture will become a reference multi-brand operator and the leading retailer of sporting goods in the Iberian Peninsula. This partnership will allow us greater operational efficiency. We want to continue to grow and be the reference sport retail channel in Iberia, providing customers with a wide range of sports brands and products."

Miguel Mota Freitas | CEO Iberian Sports Retail Group

### Sonae IM: improved valuations of technology investments

Sonae IM is an investor in tech-based companies for retail, telco and cybersecurity sectors, in a strategy aiming to offer a more robust portfolio of solutions. Sonae IM adopts a flexible investment approach, targeting companies from start-up to growth stage while offering a strategic partnership for their development. In 2017, Sonae IM was very active in acquiring strategic positions, mainly in the cybersecurity space and innovative retail driven companies.

In the cybersecurity sector, Sonae IM took a significant step investing in **Artic Wolf**, **Secucloud**, **Continuum Security** and **Probe.ly**. Artic Wolf is a global pioneer in the SOC (security operations centre) market and provides a unique combination of technology and services for clients to quickly detect and contain threats aimed at small and medium-sized organisations. It is a pioneer in managed detection and response (MDR), which is one of the most promising cybersecurity market segments and is expected to achieve three-digit growth rates annually over the next years. Sonae IM led the investment round that will enable its solution of *SOC-as-a-service* to expand further in the European and North American markets. Secucloud is a German company at the forefront of the emerging trend of cloud based cybersecurity. It is leveraging the Telecom Operators' network to offer a security solution for all connected devices, such as smartphones, tablets and IoT devices, both for the consumer and enterprise segments. Sonae IM fully subscribed a multi-million round of technological financing, joining a shareholder structure composed of some renowned individuals and investors in Germany. Continuum Security is a Spanish based early stage company with an application security platform to address vulnerabilities early in the development process. To achieve their international growth plans, the company has raised an investment round of €1.5 M, which was led by Swaanlaab Venture Factory and joined by JME Venture Capital and Sonae IM. Probe.ly offers the solution of an open SaaS (Software-as-a-Service) platform available on the cloud, which can search for/detect vulnerabilities in any online service.

In the marketing field for retail, Sonae IM acquired 4% of Ometria, a London-based AI-powered customer marketing platform with the vision to become the central hub that powers all the communication between retailers and their customers. The venture was carried out in a Series A investment round, alongside several strategic investors. Ometria is already in use by more than a thousand of the world's leading multichannel retailers and is able to bring together first-party data from multiple sources, combining behavioural with transactional elements and working as a predictive model for customer actions. The platform generates data that allows marketers to power personalised marketing campaigns across a varied number of channels and within the same platform, enhancing the customer experience. Such targeted messages and relationship management is already showing its results, as some retail brands revealed 3.5% improvement in overall revenue, 60% repeat purchases and 10x boost in revenue per email.

At the end of 2017, Sonae IM's portfolio included controlling stakes in 5 companies, more than 10 minority stakes, 1 pre-seed fund under management targeting early stage investments, and stakes in 3 Venture Capital funds with sizeable stakes in leading edge companies such as Outsystems and Feedzai, both consistently presenting meaningful and sustainable levels of growth.

## Leadership and Governance

Empowering each and every colleague at Sonae is one of the top priorities of Sonae's leadership. Sonae's lean structure encourages all colleagues to contribute towards shaping a long-living company and a better society with a sustainable future through its robust corporate values. At Sonae everyone nurtures the same sense of responsibility towards society.

Each business unit has a committed management team, leading to increased business specialisation and sector specific know-how and expertise. With expert skills unique to each segment, investors can be confident that Sonae's long-term performance is assured. Transparency at all levels of the entire organisation is crucial, endorsed further by upholding our values at all times.

We strive to ensure that we always adhere to the best corporate government practices, protecting and fostering small investors. The selected members enjoy global recognition and are highly-reputed on both an individual and professional level, particularly concerning their pledge towards sustainability.

Sonae's Board of Directors supports our drive to achieve high levels of efficiency, at the same time as demonstrating our independence, reflected through our 2 executive directors (and both co-CEOs) and 7 non-executive and independent directors. Sonae's Board of Directors is comprised of a multi-faceted team, leaders in their areas, providing Sonae with expertise in all our principal sectors. Our strategies are aligned with the valuable advice we receive from these independent experts, assuring investors of our open management style.

### The Board of Directors

The **Board of Directors** is responsible for ensuring the management of Sonae's business, exercising all management acts pertaining to Sonae's corporate purpose, setting strategic guidelines and appointing and generally supervising the activity of the Executive Committee and its specialised committees.



- 1 **Tsega Gebreyes** – Expertise in finance and strategy across different sectors and geographic areas. Founding Director and Managing Partner of Satya Capital, a London-based, African-focused private equity firm.
- 2 **Dag Skattum** – Long-standing career in the financial sector, namely in capital markets and M&A advisory with JP Morgan and TPG. Currently Vice-Chairman of JPMorgan Chase EMEA.
- 3 **Paulo de Azevedo** – Chairman and Co-CEO. He has held senior positions in Sonae Group since 1988.
- 4 **José Neves Adelino** – Professor of Economics and Finance in leading universities in Europe over the last 40 years. He has held non-executive positions in several listed companies and is currently a Director at Fundação Calouste Gulbenkian.
- 5 **Lorraine Trainer** – Career specialised in HR and talent management, particularly in the financial sector. She has spent the last few years mostly in corporate advisory roles with a strong focus on Board-level succession planning services and director development.
- 6 **Christine Cross** – Long-standing career in retail, particularly in the food segment (14 years of senior positions held at Tesco PLC). Currently providing independent advisory and serving on several non-executive Board positions.
- 7 **Ângelo Paupério** – Co-CEO. He has held senior positions in Sonae Group since 1989.
- 8 **Andrew Campbell** – Renowned expert on Corporate-level Strategy. Currently Director of the Ashridge Strategic Management Centre. Previous positions held at the London Business School and McKinsey & Company.
- 9 **Marcelo Faria de Lima** (not in the picture) – Strong expertise in the Brazilian market, particularly in the financial/investment management sector. Currently an entrepreneur with significant investments in fashion and other sectors, and holds several non-executive roles in leading Brazilian corporations.

(from left to right)

## Group Senior Executives

**Sonae Executive Committee** comprises of our two Co-CEOs. A lightweight team, who collaborate closely with one another and is responsible for the implementation of the strategic guidelines, working every day to achieve long-term sustainable success.

The Executive Committee manages our business portfolio assisted by a dedicated and highly-qualified team with specialised knowledge of each business segment, the Group of Senior Executives.



- |   |   |   |  |
|---|---|---|--|
| 1 | <b>Luís Reis</b> – Chief Corporate Centre Officer, Sonae FS and Sonae RP CEO. | 5 | <b>Cláudia Azevedo</b> – Sonae IM CEO. |
| 2 | <b>Miguel Mota Freitas</b> – Worten and Sonae Sports & Fashion CEO.           | 6 | <b>Miguel Almeida</b> – NOS CEO.       |
| 3 | <b>Paulo Azevedo</b> – Sonae Chairman and Co-CEO.                             | 7 | <b>Ângelo Paupério</b> – Sonae Co-CEO. |
| 4 | <b>Fernando Guedes de Oliveira</b> – Sonae Sierra CEO.                        | 8 | <b>Luís Moutinho</b> – Sonae MC CEO.   |

(from left to right)

The Group of Senior Executives includes the CEOs of all the business units and plays a pivotal role in managing and developing Sonae's portfolio. Sonae's companies are increasingly more autonomous and focused on independent strategies that combined add value to our portfolio. We want each of our businesses to have a solid and highly-specialised management team focused on its own business strategies.

At Sonae, we want each business to have its own management team, structured to reflect the needs of each business segment and with a strong desire and ambition to deliver a sustainable performance anchored in our values and in pursuing of our strategic pillars.

For further information on Corporate Governance related issues, please refer to our Corporate Governance Report.

## Creating value for shareholders

### Share information

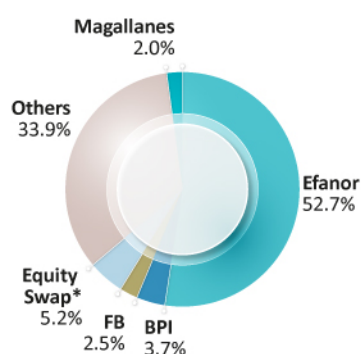
Sonae's shares are quoted on the Portuguese stock exchange, NYSE Euronext Lisbon, and are included in several indices, including the PSI 20, with a market cap weighting of 4.4%, as at the end of December 2017.

ISIN code	PTSON0AM0001
Bloomberg code	SON PL
Reuters code	SONP.IN
Share capital	2,000,000,000

### Shareholding structure

Sonae is a family-controlled company with a stable shareholder structure, which reflects a shared focus on long-term performance.

Free-float represents 42% and averages a daily volume of 3.8 million shares.



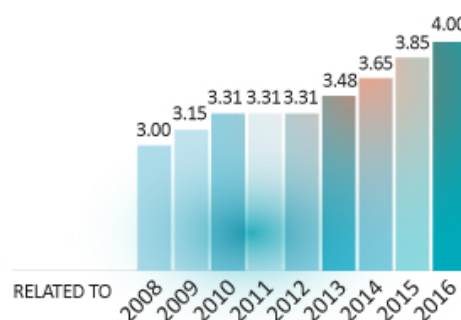
\*Equity swap includes aprox.  
104 million Sonae shares

### Steadily growing dividend payment

Our dividend strategy represents an important part of our shareholders' value creation strategy. Our aim is to increase dividends every year, a commitment that pushes us toward a better performance. In 2017, we delivered a solid value performance to our shareholders, with a strong share performance and the proposed dividend increase.

For the year ended December 31<sup>st</sup>, 2017 the Board of Directors will propose at the Shareholders' General Meeting the distribution of a gross dividend of €0.042 per share, 5% above the dividend distributed the year before.

This dividend corresponds to a dividend yield of 3.7%, based on the closing price as at December 31<sup>st</sup> 2017, and to a payout ratio of 64% of the consolidated direct income attributable to equity holders of Sonae.

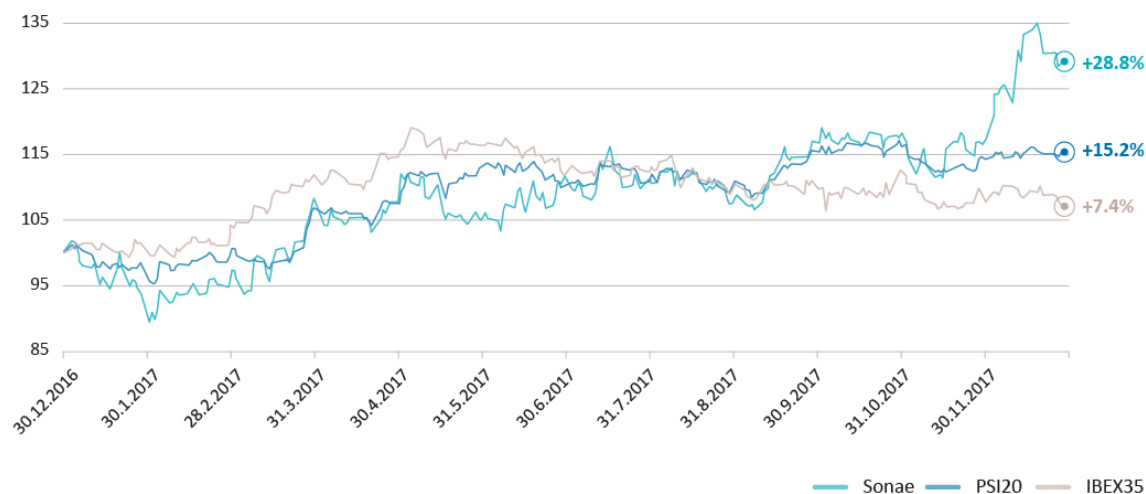


## Share Performance Evolution

The table below shows the key indicators of Sonae's share performance throughout the last 3 years:

	2015	2016	2017
Year close (€)	1.048	0.874	1.126
Year high (€)	1.500	1.083	1.188
Year low (€)	0.975	0.621	0.769
Average trading volume per day (nr. of shares)	3,652,518	3,990,139	3,764,779
Average trading volume per day (€)	4,417,704	3,308,696	3,570,644
Market cap. as at 31 <sup>st</sup> Dec (M €)	2,096	1,748	2,252

The chart below shows the share performance of Sonae together with the main Portuguese and Spanish stock market indices, PSI20 and Ibex35, respectively, over 2017:



Sonae's shares ended the year 2017 quoted at €1.126, reflecting a nominal increase of 28.8% during the year, which compares with an increase of 15.2% of the reference index of the Portuguese Stock Market – the PSI 20.

During 2017, Sonae did not carry out any transaction with its own shares.

## Main Announcements

The main announcements, which may have had a possible impact on Sonae's share price during 2017 were as follows:

- 18.01.2017 – 2017 preliminary retail sales
- 09.03.2017 – Sonae announces the Memorandum of Understanding with JD Sports Fashion Plc and JD Sprinter Holdings
- 16.03.2017 – 2016 consolidated results
- 26.04.2017 – Sonae announces the acquisition of 100% of the capital of Brio Produtos de Agricultura Biológica, SA
- 04.05.2017 – Sonae announces in relation to Qualified Shareholding
- 18.05.2017 – 2017 first quarter results
- 25.07.2017 – Sonae announces a sale and leaseback operation
- 23.08.2017 – 2017 first semester results
- 14.09.2017 – Sonae announces the agreement with JD Sports Fashion Plc, Balaiko Firaja Invest SL and JD Sprinter Holdings 2010 SL
- 03.11.2017 – Sonae announces in relation to the cash settled equity swap term extension
- 15.11.2017 – 2017 first nine months results

## Analysts Coverage

Sonae has the following analysts covering its share price:

Broker	Recommendation	Price Target	Date
JB Capital Markets	Buy	€1.50	Dec 17
CaixaBank BPI	Buy – Core List	€1.30	Nov 17
Haitong	Buy	€1.18	Nov 17
Barclays	Hold	€1.00	Nov 17
Caixa BI	Buy	€1.25	Aug 17
Fidentiis	Buy	€1.05	Jun 17
Big	Buy	€1.37	Mar 17
Equita	Buy	€1.30	Feb 17

Sonae's closing price of December 31<sup>st</sup> 2017 (€1.126) represents a discount of 10% when compared to the average price target of €1.24.

## IR Conferences and Roadshows

In 2017, the Investors Relations team attended the following events:

Date	Location	Event	Organisation
January	London	Iberian Conference	Haitong
March	Lisbon	Group meeting with Portuguese Funds	Haitong
March	London	Roadshow	Barclays
March	Paris	ESN Conference	ESN
April	Madrid	Roadshow	Santander
May	Milan	European Conference	Equita
June	London	Roadshow	Fidentiis
June	Madrid	Roadshow	Haitong
July	New York & Boston	Roadshow	Haitong
September	Cascais	Iberian Conference	CaixaBank BPI
September	Barcelona & Andorra	Roadshow	Haitong
November	New York	Roadshow	Sonae

## Sustainable business

Our corporate values reflect our vision towards stakeholders and we are committed to the highest standards of corporate governance based on transparency, ethics and responsible behaviour, contributing towards our history of success and, more importantly, to our future.

Sonae advocates the highest levels of information quality and transparency on the market and our reporting practices go beyond the regulatory requirements. The new reporting obligations (Decree-Law nr. 89/2017 following the Directive 2014/95/EU of the European Parliament and of the Council regarding the disclosure of non-financial and diversity information) do not add extra disclosures as we were already reporting a comprehensive range of non-financial indicators in our Management Report, Sustainability Report and Corporate Governance Report. **Sonae's definition of sustainable success is supported in a wide range of financial and non-financial indicators that allows us to continuously monitor our performance in all its different dimensions.**

### Sustainability Strategy

At Sonae, we structure Sustainability upon five axes: **People, Business, Partners and Suppliers, Community and Environment.**

#### The pulse for our people - we value our team

Sonae is a living organisation, built by people for people. We are extremely proud of our motto 'The success of our team is our success', because at Sonae we recognise that our team works every day to guarantee we can offer our customers the best products and services. We can only achieve this with the support of a multiskilled, dynamic and highly-content team. The personal and professional development of our team is a top priority at Sonae, as their satisfaction is invaluable. Our team originates from a wide variety of backgrounds and they have an extensive range of skills, all well-suited to the specific business segment to which they contribute. Sonae is a global player, making it an attractive and innovative workplace and we make certain that each colleague and each team reach their full potential.

Please refer to chapter "The pulse for our people" of the Sustainability Report for further information on our team and gender diversification issues.

#### We are proud of our team



2017 was a catastrophic year for Portugal with fires that affected so many people in our communities. Our team stood up with the same vigour and commitment that we always show when facing difficulties.

Through *Sonae Activshare*, Sonae companies joined in a concerted response campaign to the fires of 2017 that involved different actions throughout the second half of the year and will continue in 2018. As an example, Sonae MC provided fire services and locals with essential food items during the period of forest fires while Berg Outdoor, Deeply, Zippy, MO and Sport Zone offered clothes for babies, children, men and women. A group of employees was also

mobilised for volunteer activities on the ground, where we helped to triage, organise and store the many donations that came from all over the country to the affected areas.

## The pulse for our **businesses and products** - Innovation is essential for our sustainable success

Our path to success has been driven by innovation. Our past achievements are a great source of pride, but the future is the key. We embrace challenges and strive to find a way to innovate and use innovative technologies, thus making the impossible possible.

Everyone can innovate, but moulding these innovative ideas into practical designs can be challenging. However, at Sonae, we are renowned for exactly this, our ability to innovate and produce practical applications. This innovation can be found on two levels, within the organisation itself, allowing specialisations to be enhanced and improved efficiency levels. The other level concerns the innovative technologies we offer our customers vis-à-vis our products and services. Fostering a philosophy which encourages change is vital, as innovation can only result in enduring success.

## Innovating for a better world

Sonae Innovation Awards 2017 Edition distinguished 4 projects with the Sonae Innovation Award and 5 received an Honourable Mention. Sonae MC's project *Transformar-te* one of the 2017 recipients, was also recognised in the category Food Sustainability in the 8<sup>th</sup> edition of the Food & Nutrition Awards.



*Transformar-te* takes up the challenge of preventing food waste by trying to reduce and value food waste, through a range of diversified actions that are comprised of 3 axes of action: reduce, reuse and recycle. Depreciating products which are approaching the end of their expiration date, promoting repackaging when any parts of a unit are not commercially attractive, or lowering the price of cooked products at the end of the day, to boost their disposal, are examples of simple actions that contribute to the reduction of waste. When we donate products to social institutions, or make them available in our social areas, we are promoting their reuse. When we extend the life of the products, transforming them, internally or externally, following the logic of the circular economy (production of animal food from fish waste, production of energy from waste, or the production of chutneys from fruit and vegetable waste) we are promoting their recycling. Additionally, *Transformar-te* also takes advantage of Sonae's unique social footprint to raise awareness among our customers, with initiatives such as World Food Day or the production and distribution of *Missão Continente's* guide to combating food waste". *Transformar-te* had an important social impact with the donation of food to over 620 institutions and raising awareness by freely distributing 500,000 copies of the "Guide to Combating Food Waste".

## The pulse for our **partners and suppliers** - Sourcing with integrity

At Sonae, we would like our customers to be informed about the quality and origin of our products. For this reason, we place significant emphasis on ensuring that the origin of our products is easily recognisable. We believe that it is important for our customers to understand how we source our products and where they come from. In addition,

safety is a top priority, both within the organisation and in relation to our customers. In order to ensure the highest levels of efficiency and quality, we closely monitor our suppliers' network. These steps enable us to rapidly identify and resolve any problems and fine-tune best practices. By working together with our suppliers and partners, with a common business approach, long-lasting success is achieved. Continuous learning programmes and support forums have been established at Sonae to deliver training and guidance to meet the highest standards of the corporate responsibility policies. We want to make certain that we source products with integrity and quality, working with our partners to build a sustainable future together.

### Continente Producers Club

The Continente Producers Club continues to play an important role in our strategy to support the national production of Continente and to bring the best products to our customers.

During 2017, Continente Producers Club was very active in Madeira, promoting the production of horticultural products on the island, improving the offer of local products in the stores by offering fresher and higher quality products, while, simultaneously, reducing the carbon footprint and benefitting the local economy.

### The pulse for our communities - Making a positive difference to our community

For Sonae, we believe sustainable growth includes making a positive difference to our community. Our approach embraces six main areas that we believe contribute to a more sustainable society: the environment, culture, education, health and sports, science and innovation and social solidarity.

We coordinate our community campaigns through ActivShare, a programme designed to help us to respond effectively to the many challenges our communities face.

Please refer to the chapter "The pulse for our communities" of the Sustainability Report for further information.

### Escola Missão Continente

The *Escola Missão Continente* is an educational programme for elementary schools, implemented in the 2016/17 academic year. It aims to help students, parents and teachers to have healthier eating habits. The participants of the first edition had the opportunity to be with nutritionists from Continente and members of the Local Health Centre where they learnt more about food and became more aware of the importance of adopting a healthy lifestyle. The students were also encouraged to develop projects under the motto of a healthy lifestyle.

### The pulse for our planet - Respect for the environment

At Sonae, we are truly committed to a better environment. We are aware of the environmental impact of our operations and we continuously monitor our actions and focus on finding innovative approaches to reduce our environmental footprint. We are committed to increase society's awareness and fostering better knowledge of environmental issues, a key factor to ensuring respect for the environment. We are in a privileged position and we use our influence to bring about change within communities and take positive actions towards the environment.

To demonstrate our commitment, we openly communicate information relating to our environmental performance to our stakeholders, enabling them to make enlightened environmentally-friendly decisions. Our environmental management policies are implemented with the utmost care, as we uphold our pledge to safeguard our planet.

For more information on environmental performance, please refer to the chapter "The pulse for our planet" of the Sustainability Report.

## Green at the core!



Continente Matosinhos was the group's first supermarket, inaugurated in 1985 and remodelled in 2016. The renovation project reflected a clear concern regarding the optimisation of water and energy consumption, as well as the reusing and recycling of materials. In 2017, Continente Matosinhos was awarded the Platinum Certification LEED – Leadership in Energy and Environmental Design. There are currently only six buildings in the world with the same level of certification, the Continente Matosinhos is the largest of them all.

## Corporate responsibility

**Corporate responsibility** is at the core of our existence. Organisations are an integral part of today's society and, consequently, must contribute to creating a better society. Sonae stands up to its responsibilities and we do not compromise on a sustainable future where transparent, ethical and responsible behaviour are fundamental values guiding our social and business operations. We communicate regularly with our stakeholders, uniting everyone with a common goal to make a better, more sustainable world.

For further information on our Sustainability related issues, please refer to our Sustainability Report.

## Risk management

Risk management has a vital role in Sonae's corporate governance structure and permeates the entire organisation. We perceive risk management as a value creation driver. We strive to ensure a long-lasting future and in doing so we work tirelessly to manage and control any risks and threats we may have to face. The world of business is complex and it is essential that we take measures to improve our knowledge to ensure effective risk management throughout the organisation.

Our risk management strategy has many dimensions and we employ a variety of analytical tools to monitor these risks. These tools range from customer and market surveys, continuously adapting and improving our products and services and the shopping experience we offer, whilst also meticulously following the standards outlined for food safety audits for stores, coffee shops, warehouses and manufacturing centres. Consequently, any potential threats can be identified, so that effective preventative and corrective measures are swiftly put in place.

Risk management is an intrinsic part of our overall strategy, in this way any prevailing risks are quickly detected and diminished. This is further ensured through our business and market diversification, adopting several investment approaches, emphasising innovation and innovative technologies and implementing strict cost management measures. We have an extensive portfolio of products and services, which we continuously adapt to specific customer profiles and the ever-changing business landscape.

Please refer to our Corporate Governance Report and Financial Statements Report for a more comprehensive description of the risks related to Sonae's activities.



PORTFOLIO PERFORMANCE  
Ability to Deliver Growth  
and Create Value

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## CEO's message

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"2017 was a positive year for Sonae's businesses, which continued to grow at a solid pace and made significant progress in the development of their individual strategies. Overall, we evolved further in the development of a portfolio of more autonomous, focused and flexible businesses, ready to perform in the market with high standards of corporate governance, namely as publicly listed companies or integrating strategic partnerships.

Considering the companies we control or co-control, total aggregated turnover increased by 6.3% to 7.6 billion euros and EBITDA also grew, surpassing one billion euros once again.

In retail, turnover increased by 6.8% to 5.6 billion euros, with a positive contribution from all business areas, particularly the food retail business which grew 5.4%, and Worten which exceeded one billion euros in sales with a year-on-year increase above 10%. It is also worth highlighting the performance of online sales that for the first time surpassed 100 million euros.

Sonae Sierra, besides a good operational performance, continued the development of new shopping centre projects, such as Cúcuta in Colombia or the Málaga Designer Outlet, and strengthened its services business area by creating the ORES Socimi fund in partnership with Bankinter.

In a challenging market environment, NOS continued to overcome expectations by improving its competitive position in all market segments, leading in innovation, growing profitability and demonstrating an increasing ability to generate cash flow.

For Sonae Financial Services, this year was marked by a significant growth of the Universo card base, with over 600,000 cards issued in only two years, accounting for 13.2% of total credit card transactions in Portugal in December.

In the retail and telecommunications technology businesses, Sonae IM added value to its portfolio, strengthened its leadership position in the Iberian cybersecurity market and positioned itself as a preferred partner for technology companies with highly innovative projects.

We continue to invest in our growth avenues, particularly in the health and wellness sector, and to create partnerships that enhance the value of our assets, such as the creation of ISRG (Iberian Sports Retail Group) in the sports sector, completed in the beginning of 2018.

The aggregated investment of the companies that we control or co-control reached 726 million euros, of which 316 million euros was invested by fully consolidated companies.

The Group's sound operational and financial performance enabled a high level of investment and the maintenance of a steadily growing dividend policy, while reinforcing an already robust capital structure, with a net debt reduction of 8.4% coupled with greater maturity and lower cost of debt.

We are therefore prepared and confident to face future challenges, as we are aware of the quality of our team, the value of our culture and the legacy of Belmiro de Azevedo, which we hold as a reference and which we intend to honour, delivering on our mission of creating economic and social value, taking the benefits of progress and innovation to an ever-increasing number of people."

Ângelo Paupério, Co-CEO

## Consolidated financial performance

### Macroeconomic context

**For the first time since the financial crisis, global economic growth has beaten expectations almost everywhere around the World.** After registering in 2016 the worst performance since the recession, World output growth accelerated to +3.7%<sup>1</sup> in 2017, the highest pace since 2011.

**Globally**, 2017 was marked by a synchronized upswing in both emerging and advanced economies, particularly with the Euro Area and Japan finally joining the cyclical up-turn in growth. Increasing dynamism reflected both strong business confidence and solid household spending, which resulted in higher capital expenditure, leading in turn to new job gains and faster wage growth.

Moreover, and contrary to what was expected, the year was marked by relative stability, as major geopolitical risks did not materialize: larger nationalist movements failed to take power in the Eurozone, North Korea kept up its provocations but effects on financial markets did not last long and the economic impacts of Trump's administration were limited.

In the **United States**<sup>2</sup>, activity picked up pace in the second half the year, as the negative effects of a stronger dollar and oil price movements faded. The expansion was increasingly broad based, however the main boost came from domestic demand, as stronger business confidence, very low unemployment and stronger wages continued to support both private consumption and investment. Overall, the economy grew broadly in line with expectations, with GDP growth accelerating to +2.3% from +1.5% in 2016.

The **Eurozone**<sup>3</sup> delivered the main positive surprise, with GDP growth reaching +2.3% in 2017. Activity remained supported by strong fundamentals, namely robust job creation, growing export markets, relatively low oil prices, accommodative monetary stance, improving lending conditions and modest core inflation. Moreover, for the first time in 10 years, all its nineteen members experienced a GDP expansion.

Finally, economic performance in Emerging markets has also firmed. **China**<sup>4</sup> enjoyed relative stability, with growth coming in at around the same level as 2016 (+6.9%), while activity in Brazil<sup>5</sup>, Argentina and Russia finally returned to positive ground (+1.0%, +2.4%, +1.8%, respectively).

In Portugal, the recovery has finally gained pace, with GDP posting the highest growth rate since 2000 (+2.7%)<sup>6</sup>. The economy continued to show positive net lending and the fiscal balance stood below the -1.4%<sup>7</sup> target. Accordingly, the market sentiment towards Portugal improved substantially and spreads on sovereign debt declined sharply.

The increased dynamism, which reflected a general improvement in both domestic and external conditions, was supported by a strong pickup in investment and exports, and continued growth in private spending. Regarding the labour market, job creation grew faster than GDP and led to a strong fall in the unemployment rate<sup>8</sup> (8.9% from 11.1% in 2016).

Moreover, the recovery remained marked by the strong momentum in tourism. In fact, the sector continued to power ahead driven by competitiveness gains and insecurity associated with some rival destinations, with non-residents not only boosting revenues in hotels<sup>9</sup> and restaurants<sup>10</sup> (+9.2% and +10.6%) but also driving a pickup in tourism-related construction.

Against this background, private consumption<sup>11</sup> in nominal terms (+3.5%) grew at a faster pace than disposable income. This was supported by the exceptionally high consumer confidence which rose to the highest level in over 20 years, in a context of supportive government policies along with a strong wealth effect, which allowed for an unprecedented fall in the savings rate<sup>12</sup> (+4.4% from +6.0% in 2016).

Spending<sup>13</sup> in durable goods, remained particularly dynamic, but showing a clear deceleration driven by car sales<sup>14</sup> (+7.1%) which are now back to pre-crisis levels, while electronics (+6.7%) benefited from the recovery in the housing sector. Conversely, spending in non-durable goods gained additional strength, reflected in a significant pickup in retail

sales (+5.5%), namely in non-food categories<sup>15</sup> (+4.6%), such as clothing (+4.0%). As for food and beverages, retail sales remained solid (+4.1%), benefiting from higher prices in the sector (+1.5%)<sup>16</sup>.

In Spain, the economic recovery remained strong, with GDP<sup>17</sup> growing above 3% for the third consecutive year. More importantly, this occurred against a background of continued external surplus, notable deleveraging improvements in the non-financial private sector, sustained employment gains, and strong fiscal consolidation efforts.

Moreover, the recovery remained broad-based, with all GDP components contributing to growth. Particularly, stronger global growth along with competitiveness gains boosted exports, while robust job creation, supportive credit conditions, strong business confidence and continued gains in tourism – despite both the terrorist attack and the political turmoil in Catalonia – continued to stimulate domestic demand.

Private spending<sup>18</sup> remained robust, growing by +4.2% in nominal terms, the strongest growth rate in 10 years and faster than disposable income, accentuating, therefore, the pattern started in 2014. In fact, the exceptional reduction of households' saving rates also became an additional driver of spending, along with the strong employment growth<sup>19</sup> (+2.8%), supportive financial conditions and growing financial and real estate wealth gains.

In this context, families continued to favour discretionary consumption, namely vehicles<sup>20</sup> (+9.1%) and tourism and restaurants<sup>21</sup> (+5.0%), albeit at a lesser extent than in 2015 and 2016. Retail sales<sup>22</sup>, in turn, gained momentum in 2017 (+2.9% vs. +2.4% in 2016), particularly in food and fuels (+2.3% and +8.2% respectively), while the pace of growth in electronics and health and beauty sectors decelerated (+1.6% and +1.2%, respectively).

## Perspectives

**In 2018, global growth is expected to accelerate further to +3.9%, underpinned by a stronger synchronization of activity both in advanced and emerging countries.** The economy is expected to remain supported by current growth drivers, namely robust job creation, combined with new impulses, such as the upsurge of international trade and the recovery of corporate investment. Moreover, the outlook for commodity exporters is also brighter, as the price of these resources is expected to continue the upward trend initiated last year.

The new impulses are expected to more than offset any restraining forces such as the normalization of monetary policy. Nevertheless, risks to the outlook remain globally skewed to the downside, being mainly related with the tightening in financial conditions, the pick-up in inflation, the economic slowdown in China or the escalation of geopolitical tensions.

Portugal's near term outlook<sup>23</sup> strengthened considerably. GDP growth is expected to decelerate slightly to +2.2%, while the economy continues to shift towards a more sustainable growth model, supported by buoyant exports and the recovery of investment, in a favourable global context.

Private consumption in real terms is expected to remain robust at +2.0% in 2018 in line with the evolution of disposable income. As the savings rate is expected to remain at historically low levels, spending will be supported by still solid job creation in a context of moderate wage gains.

The outlook for Spain<sup>24</sup> is also favourable, as GDP is expected to expand by +2.4%, a noteworthy slowdown from the rate observed in the three previous years, but still one of the highest amongst advanced economies. Nevertheless, this projection is surrounded by higher uncertainty than usual related to the still unpredictable impacts of the political turmoil in Catalonia on both consumer confidence and investment decisions.

Household consumption should remain solid albeit losing some steam (+1.9% in real terms vs. +2.4% in 2017), as the pace of job creation slows down, fiscal policy support dissipates and the impact of the supportive monetary policy eases. This moderation is expected to be more pronounced in durable goods, namely in cars, as sales already close to the pre-crisis level.

In short, the outlook for Iberia is globally positive, as both economies are expected to continue posting strong GDP growth and solid household spending, while remaining in a sustainable path.

- 1 Data for global economy, Argentina and Russia: IMF World Economic Outlook Update, January 2018
- 2 FRED, Real Gross Domestic Product, January 2018
- 3 Eurostat, Results of GDP for 2017, March 2017
- 4 INE China, Preliminary Results of GDP for 2017, January 2018
- 5 Brazilian Institute of Geography and Statistics, Quarterly National Accounts, Cumulative rate over the year, March 2018
- 6 INE, 2017 National Accounts, February 2018
- 7 Portuguese Public Finance Council, Fiscal developments until the end of the 3rd quarter of 2017
- 8 INE, Unemployment rate (%)
- 9 INE, Total revenues in hotel establishments
- 10 INE, Total revenues in Food services activities
- 11 INE, 2017 National Accounts, February 2018
- 12 INE, Quarterly economic accounts for households and non-profit institutions serving households, four quarters cumulated sum, data available to third quarter of 2017
- 13 Eurostat, Retail sales turnover index, March 2018
- 14 ACAP, Car sales, January 2018
- 15 Retail sales in non-food products, excluding fuel, turnover index
- 16 INE, Harmonized consumer price index
- 17 INE, 2017 National Accounts, March 2018
- 18 INE, 2017 National Accounts, March 2018
- 19 INE, 2017 National Accounts, March 2018
- 20 Ministry of Economy, Industry and Competitiveness, car sales data
- 21 INE, Total revenues in Accommodation and Food services activities
- 22 INE, Retail sales turnover index, except of motor vehicles and motorcycles
- 23 IMF, Staff Concluding Statement of the Sixth Post-Program Monitoring Mission, February 2018
- 24 Bank of Spain, Macroeconomic projections for the Spanish economy (2017-2020), December 2017

## Financial statements analysis

In 2017, all businesses posted turnover growth and improved underlying EBITDA.

### Sonae aggregated businesses overview

M€	2016	2017	Y.O.Y.	4Q16	4Q17	Y.O.Y.
<b>Turnover</b>						
Sonae Retail	5,288	5,646	6.8%	1,473	1,580	7.2%
Sonae Sierra <sup>(1)</sup>	209	224	7.0%	59	61	4.2%
NOS <sup>(1)</sup>	1,515	1,562	3.1%	391	399	2.2%
Sonae IM	117	126	7.9%	29	31	8.5%
Sonae FS <sup>(2)</sup>	68	79	16.4%	21	23	8.1%
<b>Underlying EBITDA</b>						
Sonae Retail	330	354	7.3%	111	117	5.3%
Sonae Sierra <sup>(1)</sup>	98	106	8.3%	26	29	11.6%
NOS <sup>(1)</sup>	557	581	4.3%	125	129	3.3%
Sonae IM	5	5	0.1%	2	2	39.0%
Sonae FS <sup>(2)</sup>	8	10	35.9%	3	4	30.2%

(1) Aggregated turnover and Underlying EBITDA equals 100% of the figures reported by NOS or Sonae Sierra. In statutory accounts equity method is used.

(2) Includes 100% turnover and EBITDA of MDS, which is in the statutory accounts accounted by equity method.

## Sonae consolidated results

M€	2016 <sup>(1)</sup>	2017	Y.O.Y.	4Q16 <sup>(1)</sup>	4Q17	Y.O.Y.
<b>Turnover</b>	<b>5,329</b>	<b>5,710</b>	<b>7.1%</b>	<b>1,480</b>	<b>1,595</b>	<b>7.8%</b>
<b>Underlying EBITDA</b>	<b>315</b>	<b>336</b>	<b>6.9%</b>	<b>113</b>	<b>115</b>	<b>2.2%</b>
<i>Underlying EBITDA margin</i>	<i>5.9%</i>	<i>5.9%</i>	<i>0.0 p.p.</i>	<i>7.6%</i>	<i>7.2%</i>	<i>-0.4 p.p.</i>
Equity method results <sup>(2)</sup>	41	57	39.3%	2	9	-
o.w. S. Sierra (direct results)	28	32	13.6%	8	10	16.1%
o.w. NOS/Zopt	17	27	59.5%	1	4	-
Non-recurrent items	53	2	-95.9%	-3	-2	40.4%
<b>EBITDA</b>	<b>409</b>	<b>396</b>	<b>-3.1%</b>	<b>112</b>	<b>123</b>	<b>10.2%</b>
<i>EBITDA margin</i>	<i>7.7%</i>	<i>6.9%</i>	<i>-0.7 p.p.</i>	<i>7.5%</i>	<i>7.7%</i>	<i>0.2 p.p.</i>
D&A <sup>(3)</sup>	-197	-214	-8.5%	-52	-62	-18.9%
<b>EBIT</b>	<b>212</b>	<b>182</b>	<b>-14.0%</b>	<b>59</b>	<b>61</b>	<b>2.5%</b>
Net financial results	-45	-36	19.5%	-9	-8	8.0%
<b>EBT</b>	<b>167</b>	<b>146</b>	<b>-12.5%</b>	<b>51</b>	<b>53</b>	<b>4.2%</b>
Taxes	-18	-14	23.3%	-21	-23	-7.5%
<b>Direct results <sup>(4)</sup></b>	<b>148</b>	<b>132</b>	<b>-11.2%</b>	<b>29</b>	<b>30</b>	<b>1.9%</b>
<b>Indirect results</b>	<b>74</b>	<b>42</b>	<b>-42.4%</b>	<b>52</b>	<b>5</b>	<b>-89.7%</b>
<b>Net income</b>	<b>222</b>	<b>174</b>	<b>-21.5%</b>	<b>82</b>	<b>35</b>	<b>-56.8%</b>
Non-controlling interests	-7	-8	-22.2%	-4	-3	-29.0%
<b>Net income group share</b>	<b>215</b>	<b>166</b>	<b>-22.9%</b>	<b>78</b>	<b>33</b>	<b>-58.2%</b>

(1) Figures for 2016 were restated. In June 2017, after the sale of 1,773 shares from MDS SGPS to IPLF Holding, MDS started to be consolidated through the Equity Method and was included in Sonae FS. From 1Q16 until June 2017, MDS was registered as a discontinued operation.

(2) Equity method results: includes direct income related to investments consolidated by the equity method (mainly Sonae Sierra and NOS/Zopt) and discontinued operations;

(3) Depreciations & amortisations including provisions & impairments;

(4) Direct results before non-controlling interests.

From a statutory view, **Sonae consolidated turnover** grew 7.1% y.o.y., supported by the positive evolution of Sonae Retail, Sonae IM and Sonae FS, reaching €5,710 M in 2017.

**Sonae Underlying EBITDA** stood at €336 M, €22 M above the value registered in 2016, backed by the performance of Sonae Retail, Sonae IM and Sonae FS. Despite the higher contribution of underlying EBITDA and equity method results, **Sonae EBITDA** totalled €396 M, decreasing 3.1% when compared to 2016, due to non-recurrent items registered in 2016 related to the capital gains from sale and leaseback transactions.

**Sonae net financial results** improved by 19.5% when compared to 2016, driven by the reduction of the average net debt coupled with a decrease of the average interest rate of outstanding debt, which stood at 1.3% in 4Q17.

Despite the higher contribution of underlying EBITDA and net financial results, **Sonae direct results** amounted to €132 M, 11.2% below when comparing to 2016, negatively impacted by the non-recurrent items reported in 2016.

**Sonae indirect results** totalled €42 M, decreasing in comparison to 2016, mostly due to a lower contribution from Sonae Sierra y.o.y., impacted by the strong asset revaluations in 4Q16 and by the value created with the ParkLake opening in Romania, in 3Q16.

**Sonae net income group share** amounted to €166 M in 2017, down from €215 M, mainly due to the impact of non-recurrent effects in 2016.

### Sonae Net Invested Capital

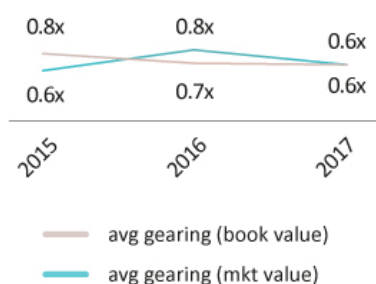
M€	2016 <sup>(1)</sup>	2017	Y.O.Y.
<b>Net invested capital</b>	<b>3,278</b>	<b>3,248</b>	<b>-0.9%</b>
<b>Sonae shareholders funds</b>	<b>2,063</b>	<b>2,135</b>	<b>3.5%</b>
<b>Sonae net debt <sup>(2)</sup></b>	<b>1,215</b>	<b>1,112</b>	<b>-8.4%</b>
Net debt / Invested capital	37.1%	34.3%	-2.8 p.p.

(1) Figures for 2016 were restated to include the completion of Salsa's fair value calculation exercise.

(2) Financial net debt + net shareholder loans.

**Sonae net debt** reduced by 8.4% y.o.y., from €1,215 M in 2016 to €1,112 M in 2017 and **financial leverage** decreased 2.8p.p. to 34.3%.

### Gearing



**Average gearing at book value** decreased from 0.7x in 4Q16 to 0.6x in 4Q17. **Average gearing at market value** reached 0.6x, 0.2x below 4Q16, driven by a reduction at net debt level and by a higher Sonae share price.

Sonae continued to show a **robust capital structure**, optimising funding costs while preserving sufficient back up liquidity and a long maturity profile. The group maintained its practice of being fully financed for the coming 18 months and simultaneously improved its general funding conditions. In 2017, the average maturity profile stood slightly above 4 years.

## Sonae Net Debt

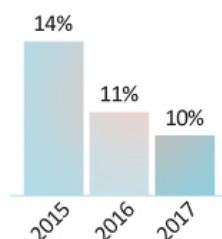
M€	2016	2017	Y.O.Y.
<b>Financial net debt</b>	<b>1,215</b>	<b>1,112</b>	<b>-8.4%</b>
Retail	676	629	-7.0%
Sonae IM	3	0	-
Holding & other	536	484	-9.7%
<b>Sonae net debt</b>	<b>1,215</b>	<b>1,112</b>	<b>-8.4%</b>

**Holding & other financial net debt** totalled €484 M, reducing 9.7% in comparison to 2016, even considering the payment of dividends in 2Q17, which did not occur in 2016.

**Loan-to-value** ratio of the Holding stood at 10%, decreasing from 11% registered in 2016, driven by a lower net financial debt and a higher Net Asset Value.

**Retail financial net debt** decreased by €47 M when compared to 2016, totalling €629 M in 2017 and **retail net debt to EBITDA** reached 1.8x, 0.1x above 2016, explained by a lower EBITDA in 2017 when compared to 2016, resulting from the non-recurrent items registered in 2016.

### Loan-to-value - Holding



### Retail financial net debt to EBITDA



**Sonae Capex** decreased from €437 M in 2016 to €316 M in 2017. This y.o.y. decrease was primarily driven by a lower level of Capex in Sonae Sports & Fashion due to Salsa's acquisition in 2Q16, coupled with a lower level of Capex in Sonae RP and Sonae IM.

## Sonae Capex

M€	2016	2017	% of turnover
<b>Capex</b>	<b>437</b>	<b>316</b>	<b>5.5%</b>
<b>Sonae Retail</b>	<b>383</b>	<b>292</b>	<b>5.2%</b>
Sonae MC	167	164	4.2%
Worten	39	45	4.4%
Sonae Sports & Fashion	113	40	6.8%
Sonae RP	62	41	44.7%
Maxmat	1.0	1.4	1.8%
<b>Sonae IM</b>	<b>47</b>	<b>19</b>	<b>15.4%</b>
<b>Sonae FS</b>	<b>0.6</b>	<b>1.6</b>	<b>2.1%</b>

## Sonae Retail Results

**Sonae Retail sales** reached €5,646 M in 2017, +6.8% versus 2016, backed by the positive evolution of all businesses apart from Sonae RP which stood flat when compared to 2016.

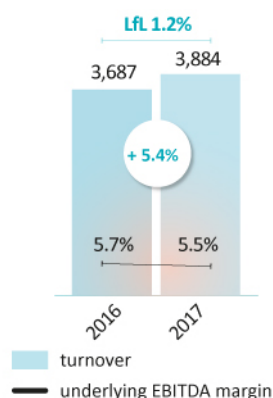
**Sonae Retail underlying EBITDA** increased by 7.3%, amounting to €354 M in 2017, with the special contribution of Worten and Sonae Sports & Fashion which together contributed with additional €20 M.

### Performance by business - Sonae Retail

M€	2016	2017	Y.O.Y.	4Q16	4Q17	Y.O.Y.
<b>Turnover</b>	<b>5,288</b>	<b>5,646</b>	<b>6.8%</b>	<b>1,473</b>	<b>1,580</b>	<b>7.2%</b>
Sonae MC	3,687	3,884	5.4%	1,002	1,070	6.8%
Worten	910	1,003	10.2%	276	313	13.4%
Sonae Sports & Fashion	527	589	11.7%	154	152	-0.8%
Sonae RP	92	92	0.2%	23	23	3.2%
Maxmat	72	78	9.3%	18	20	12.5%
<b>Underlying EBITDA</b>	<b>330</b>	<b>354</b>	<b>7.3%</b>	<b>111</b>	<b>117</b>	<b>5.3%</b>
Sonae MC	210	213	1.3%	63	67	6.1%
Worten	26	34	29.6%	17	20	16.8%
Sonae Sports & Fashion	8	20	-	10	8	-18.1%
Sonae RP	80	80	0.0%	20	20	-0.3%
Maxmat	5	6	35.0%	1	2	-
<b>Underlying EBITDA margin (%)</b>	<b>6.2%</b>	<b>6.3%</b>	<b>0.0 p.p.</b>	<b>7.5%</b>	<b>7.4%</b>	<b>-0.1 p.p.</b>

## Sonae MC

### Turnover and underlying EBITDA evolution (M€)



**Sonae MC turnover stood at €3,884 M in 2017**, growing 5.4% versus 2016. This evolution was boosted by the store network expansion (with the opening of 19 Continente Bom Dia stores and 1 Continente Modelo) and by a **LfL sales growth** of 1.2% as a result of a number of measures implemented with the aim of strengthening Sonae MC's value proposition. Within the implemented measures, it's worth highlighting the continuous work on improving the price perception and the quality and consequently the quality perception of perishables. This operational performance allowed Sonae MC to reinforce once again the market leadership, thus proving the success of its value proposition.

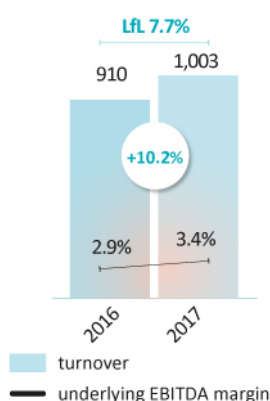
**The underlying EBITDA margin** stood at 5.5% in 2017, decreasing 20 bps comparing to 2016. This y.o.y. performance reflects the new store openings, the competitive environment of the food Portuguese market and the continuous investment in the growth

avenues. Nevertheless, in absolute terms, the underlying EBITDA posted an increase of €3 M y.o.y., reaching €213 M in 2017. It's worth noting that in the last quarter of 2017, Sonae MC underlying EBITDA grew 6.1% y.o.y., supported by a stronger sales value.

During 2017 Sonae MC continued reinforcing its presence in the Health and Wellness segment, by taking several steps in order to promote the health and wellbeing of the communities. During 2017 Sonae MC increased the variety of the healthy products in Continente stores, acquired 51% of Go Natural and 100% of Brio' supermarkets - the first organic supermarket chain launched in Portugal - and opened the first Dr. Well's, a clinic specialised in dental and aesthetic medicine. Following the success of the 1st clinic opened in May 2017, Sonae MC has currently 4 clinics in portfolio. The investment in Health and Wellness sector was defined as being of strategic importance for Sonae MC.

## Worten

### Turnover and underlying EBITDA evolution (M€)



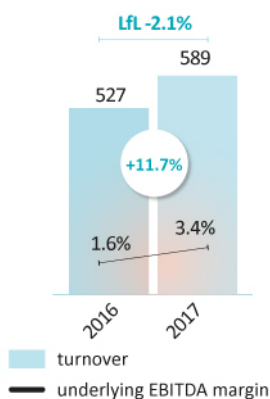
In 2017, **Worten turnover** posted a strong evolution, increasing by 10.2% y.o.y. and surpassing for the first time 1Bn euros. This performance was driven by a LfL sales growth of 7.7% in 2017 also supported by a very positive growth of the online operation, which grew by 60% y.o.y.. During 2017, Worten was also able to further improve sales area productivity in result of positive sales performance and store network optimization.

This momentum allowed Worten to further increase its market share in Portugal and Spain both in the offline and online channels.

The **underlying EBITDA** improved by 29.6% to €34 M in 2017, increasing the margin by 50 bps to 3.4%.

## Sonae Sports & Fashion

### Turnover and underlying EBITDA evolution (M€)



**Sonae Sports & Fashion turnover** totalled €589 M in 2017, +11.7% versus the previous year, helped not only by the consolidation of Salsa but also by the positive evolution of the other businesses. In LfL terms, all businesses had positive figures in 2017 apart from Sport Zone.

The 4Q17, was strongly impacted by the weather conditions in October that lead to a late start of the season and consequently affected sales performance and profitability.

The **underlying EBITDA** increased by €12 M in comparison to 2016, to €20 M, driven by the positive contribution of all businesses in the original portfolio plus the effect of consolidation of Salsa.

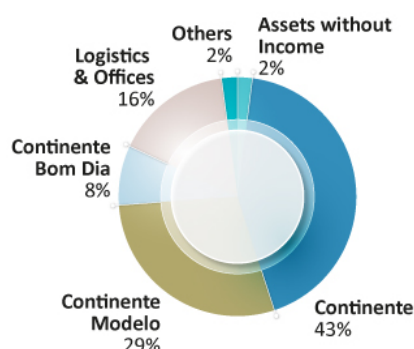
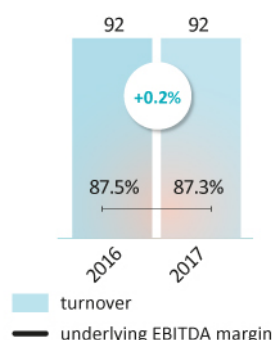
Already in January 31st 2018, it was concluded the agreement for the combination of JD Sprinter and Sport Zone, creating the Iberian Sports Retail Group (ISRG), the second biggest sports retail group of Iberia.

## Sonae RP

At the end of 2017, Sonae RP portfolio included 20 Continente stores, 60 Continente Modelo stores and 30 Continente Bom Dia stores, corresponding to a **gross book value** of €1,266 M and to a **net book value** of €903 M.

### Turnover and underlying EBITDA evolution (M€)

### RP Portfolio (as % of Gross Book Value)



During 2017, Sonae RP concluded two sale and leaseback transaction of 5 food retail assets in the amount of €37 M and with a capital gain of circa €11 M. Consequently, at the end of the year, Sonae MC's freehold stood at 47%. As for specialised retail (Worten and Sonae Sports & Fashion) the freehold was at 20%. Regardless of the freehold reduction comparing to 2016, from 50% in Sonae MC, and from 21% in specialised retail, **Sonae RP turnover** remained in line y.o.y. amounting to €92 M in 2017. The **underlying EBITDA** stood at €80 M, representing an underlying EBITDA margin of 87.3%.

## Sonae Sierra

Sonae Sierra\* has been continuously seeking for new **development opportunities** along with reinforcing professional services. Regarding the development activity, currently Sonae Sierra has in pipeline the following project: Nuremberg (Germany), Málaga McArthurGlen Designer Outlet (Spain), NorteShopping and Colombo Expansion (Portugal), Jardín Plaza Cucuta (Colombia) and Zenata (Morocco). As for the professional services, in 2017, Sonae Sierra signed 187 new contracts in the amount of €15,9M.

Over the last year Sonae Sierra continued pursuing its capital recycling strategy mainly through partial disposals of its most mature assets. In December, Sonae Sierra reduced its participation from 50.1% to 20.0% in MaiaShopping and GuimarãesShopping and concluded the full disposal of AlbufeiraShopping and Continente Portimão Shopping Centre.

At the same time, Sonae Sierra has made some efforts to acquire additional assets for its portfolio. In February 2017, the Albufeira Retail Park was acquired through the Iberian Coop fund, in which Sonae Sierra holds a 10% participation; in June 2017, 15% of the Área Sur Shopping Centre (Spain) was acquired in a 15/85 partnership with AXA IM - Real Assets. Also in 2017, Sonae Sierra created a joint venture with Bankinter for the incorporation of ORES Socimi, a real estate investment vehicle, which acquired 16 assets in Iberia in the amount of €173 M.

It's worth highlighting that 2017 was very positive for the **refinancing activity**, having been negotiated €729 M in new bank loans in Europe.

In operational terms, Sonae Sierra maintained a strong performance, with high occupancies rates both in Europe and Brazil, having registered a **global occupancy rate** of 96.0% in 2017. In Brazil, the y.o.y. decrease is explained by regular

\* consolidated by equity method.

unit rotation movements. **Lfl tenant sales** reached 3.2% in Europe supported by the recovery in Iberia and 6.8% in Brazil, above the average inflation of 3.5%. Total tenant sales grew by 8.9%, to €4,897 M in 2017 also helped by the opening of ParkLake.

### Operational Indicators

	2016	2017	Y.O.Y.
<b>Footfall (million visitors)</b>	<b>430</b>	<b>438</b>	<b>1.8%</b>
Europe & New Markets	333	342	2.5%
Brazil	97	96	-0.7%
<b>Occupancy rate (%)</b>	<b>96.6%</b>	<b>96.0%</b>	<b>-0.5 p.p.</b>
Europe	97.1%	97.1%	0.0 p.p.
Brazil	94.8%	92.5%	-2.4 p.p.
<b>Like-for-like (Lfl) tenants sales</b>			
Europe	3.4%	3.2%	-
Brazil (local currency)	0.9%	6.8%	-
<b>Tenant sales (million euros)</b>	<b>4,495</b>	<b>4,897</b>	<b>8.9%</b>
Europe (million euros)	3,277	3,533	7.6%
Brazil (million euros)	1,211	1,364	12.6%
Brazil (million reais)	4,644	4,899	5.5%
<b>Nº of shopping centres owned and/or managed (EOP)</b>	<b>65</b>	<b>66</b>	<b>1</b>
Europe	55	56	1
Brazil	10	10	0
<b>Nº of shopping centres owned/co-owned (EOP)</b>	<b>45</b>	<b>47</b>	<b>2</b>
Europe	36	38	2
Brazil	9	9	0
<b>GLA under Management ('000 sqm)</b>	<b>2,316</b>	<b>2,423</b>	<b>4.6%</b>
Europe & New Markets	1,835	1,941	5.8%
Brazil	481	481	0.0%

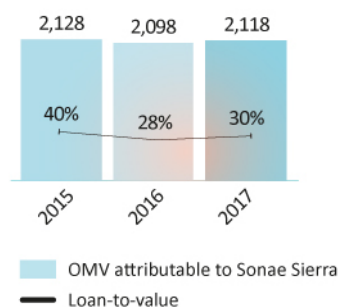
**Sonae Sierra turnover** increased by 7.0% y.o.y., to €224 M in 2017. **EBIT** improved by 8.5% versus 2016 amounting to €105 M. **Direct results** reached €65 M, growing 14.0% versus 2016 and **Indirect results** stood at €45 M in 2017, decreasing when compared to 2016, impacted by a lower value created in assets valuations and by the value created with the ParkLake opening in Romania, in 3Q16.

## Financial Indicators

M€	2016	2017	Y.O.Y.	4Q16	4Q17	Y.O.Y.
Turnover	209	224	7.0%	59	61	4.2%
EBIT	97	105	8.5%	26	29	11.5%
EBIT margin	46.1%	46.8%	0.7 p.p	44.1%	47.3%	3.1 p.p.
Direct results	57	65	14.0%	16	19	17.7%
Indirect results	125	45	-63.6%	72	13	-81.3%
Net results	181	110	-39.3%	89	33	-62.9%
... attributable to Sonae	91	55	-39.3%	44	16	-62.9%

At 31st December 2017, **NAV** totalled €1,432 M, +1.0% comparing to the end of 2016, due to the net results which were partially offset by the dividend payment and the adverse exchange rate effect of Brazilian real (31 Dec. 2017 vs. 31 Dec. 2016). **Loan-to-value** stood at 30%, 2pp higher than 2016.

## Open Market Value (OMV)<sup>1</sup> and leverage (€M)



(1) Includes investment properties at open Market value and development properties at cost.

## NOS

NOS\* published its results on March 12<sup>nd</sup> 2018, which are available at [www.nos.pt](http://www.nos.pt). In 2017, NOS kept the growth trend in all core services while maintaining a robust financial performance.

**Operating revenues** increased by 3.1% y.o.y., totalling €1,562 M in 2017, backed by the performance of telco, audio-visuals and cinema. **EBITDA** amounted to €581 M, improving by €24 M when compared to 2016, and corresponding to a margin of 37.2% in 2017.

**Net results** grew from €90 M registered in 2016 to €124 M in 2017, +37.3% y.o.y.. **Capex** reduced by 3.1% when compared to 2016, to €381 M in 2017.

## Financial Indicators

M€	2016	2017	Y.O.Y.	4Q16	4Q17	Y.O.Y.
<b>Operating revenues</b>	<b>1,515</b>	<b>1,562</b>	<b>3.1%</b>	<b>391</b>	<b>399</b>	<b>2.2%</b>
EBITDA	557	581	4.3%	125	129	3.3%
<i>EBITDA margin</i>	<i>36.7%</i>	<i>37.2%</i>	<i>0.4 p.p.</i>	<i>32.0%</i>	<i>32.3%</i>	<i>0.4 p.p.</i>
Net results	90	124	37.3%	12	19	55.3%
Capex	393	381	-3.1%	100	117	17.0%
Free Cash Flow	-49	31	-	6	-3	-

\* consolidated by equity method.

**NOS Free Cash Flow**, after the dividend of €103 M paid in 2Q17, stood at €31 M, a strong growth comparing to the negative €49 M in 2016.

Regarding the operational indicators, in 2017, the number of **total RGUs** increased 3.7% in comparison to 2016, to 9,412 thousand, and the **convergent RGUs** stood at 3,651 thousand, +7.8% y.o.y..

## Operational Indicators

('000)	2016	2017	Y.O.Y.	4Q16	4Q17	Y.O.Y.
<b>Total RGUs (Net adds)</b>	<b>612</b>	<b>335</b>	-	135	46	-
Convergent RGUs (Net adds)	533	263	-	114	19	-
Mobile (Net adds)	333	217	-	60	29	-
Pay TV (Net adds)	57	16	-	14	1	-
<b>Total RGUs</b>	<b>9,077</b>	<b>9,412</b>	<b>3.7%</b>	<b>9,077</b>	<b>9,412</b>	<b>3.7%</b>
<b>Convergent RGUs</b>	<b>3,387</b>	<b>3,651</b>	<b>7.8%</b>	<b>3,387</b>	<b>3,651</b>	<b>7.8%</b>
Convergent customers	680	721	6.1%	680	721	6.1%
ARPU/Unique subscriber with fixed access (euros)	43	44	2.4%	43	44	0.7%

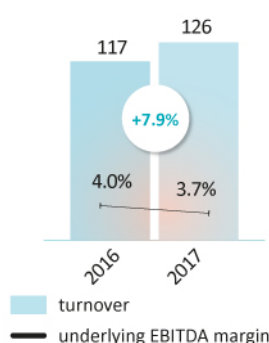
## Sonae IM

Sonae IM has been implementing an active portfolio strategy, with the clear objective of building and managing a portfolio of tech-based companies linked to retail and telecommunications, leveraging the strong Group's expertise in these two verticals and aiming to develop innovative solutions, with an international focus.

CONTROLLING STAKES	MINORITY STAKES
WeDo Technologies	AVP Funds
S21Sec	Stylesage
Saphety	Probe.ly
Bizdirect	Ometria
InovRetail	Arctic Wolf
Bright Pixel	Secucloud
	Continuum Security

During 2017, Sonae IM entered the capital of, among others, the following companies: **Ometria**, an Artificial Intelligence powered customer marketing platform with the vision to become the central hub that powers all the communication between retailers and their customers; **Arctic Wolf**, a global pioneer in the SOC-as-a-Service market with cutting-edge managed detection and response, which provides a unique combination of technology and services for clients to quickly detect and contain threats; and **Secucloud**, a Germany-based company that provides a cloud security platform for protecting all devices and operating systems to Telcos & ISPs as a white label solution.

#### Turnover and underlying EBITDA evolution (M€)



**Sonae IM turnover** increased 7.9% y.o.y., reaching €126 M in 2017. The **underlying EBITDA** amounted to €5 M, +0.1% when compared to the same period of 2016 and corresponding to an underlying EBITDA margin of 3.7%.

Also in 2017, Sonae IM registered **indirect results** in the amount of €4 M, impacted by an upside in the valuation of the AVP funds, which include stakes in Feedzai, a specialist in fraud prevention, and Outsystems, managed by Armilar Venture Partners.

#### Sonae FS

**Sonae FS turnover** reached to €24 M, growing 38.9% when compared to 2016. The **underlying EBITDA** stood at €3.4 M improving €3 M y.o.y. and corresponding to a margin of 13.9%.

Concerning the Universo Card operation, in 2017, subscribers exceeded 600 thousand and **Universo total production** totalled €580 M, increasing by 41.2% versus 2016.

#### Financial Indicators

M€	2016	2017	Y.O.Y.	4Q16	4Q17	Y.O.Y.
Production	665	819	23.1%	203	248	22.3%
Turnover	18	24	38.9%	5	7	36.3%
Underlying EBITDA	0.4	3.4	-	1.0	1.2	20.2%
Underlying EBITDA margin	2.5%	13.9%	11.5 p.p.	18.8%	16.6%	-2.2 p.p.

## Sonae statement of financial position

M€	2016 <sup>(1)</sup>	2017	Y.O.Y.
<b>TOTAL ASSETS</b>	<b>5,510</b>	<b>5,605</b>	<b>1.7%</b>
Non current assets	4,102	4,183	2.0%
Tangible and intangible assets	1,982	2,019	1.9%
Goodwill	655	634	-3.2%
Investment properties	1	0	-
Other investments	1,383	1,434	3.7%
Deferred tax assets	61	72	17.1%
Others	19	24	22.8%
Current assets	1,409	1,422	1.0%
Stocks	696	713	2.4%
Trade debtors	116	130	12.1%
Liquidity	345	365	5.6%
Others	251	214	-14.7%
<b>SHAREHOLDERS' FUNDS</b>	<b>2,063</b>	<b>2,135</b>	<b>3.5%</b>
Equity holders	1,894	1,967	3.9%
Attributable to minority interests	169	168	-0.7%
<b>LIABILITIES</b>	<b>3,447</b>	<b>3,470</b>	<b>0.6%</b>
Non-current liabilities	1,371	1,385	1.0%
Bank loans	508	573	12.9%
Other loans	702	647	-7.9%
Deferred tax liabilities	113	132	16.5%
Provisions	26	19	-26.7%
Others	22	13	-37.6%
Current liabilities	2,077	2,085	0.4%
Bank loans	350	208	-40.7%
Other loans	11	61	-
Trade creditors	1,137	1,192	4.9%
Others	579	623	7.7%
<b>SHAREHOLDERS' FUNDS + LIABILITIES</b>	<b>5,510</b>	<b>5,605</b>	<b>1.7%</b>

(1) Figures for 2016 were restated to include the completion of Salsa's fair value calculation exercise.

## Trends and outlook

**Sonae** will keep pursuing its strategy based on three key pillars, while also providing the necessary autonomy to its businesses in order to make them more agile, thus creating more value to shareholders. As part of Sonae SGPS' strategy of providing more autonomy and focus to its portfolio companies, the Board of Directors is currently analyzing the opportunity of a potential listing of a retail portfolio, in which Sonae SGPS will retain its majority shareholding. At this stage no formal decision has been taken and further details will be provided in due course.

**Sonae MC** will continue to improve its value proposition, namely by expanding its proximity store network, ensuring price leadership and continuously improving the quality of its perishables. The team will continue to explore opportunities in selected growth avenues, such as Health & Wellness and International expansion.

**Worten** will continue pursuing its Iberian strategy and expects to further consolidate its market shares in the Iberian Peninsula, benefiting from macro context.

**Sonae Sports & Fashion** will look for opportunities to profitably expand its network while adjusting its value proposal. Regarding ISRG, 2018 will be a year to consolidate this Joint-Venture between Sport Zone and JD Sprinter as well as to look for further business growth.

**Sonae IM** will keep investing in cybersecurity as well as in tech based companies related with retail and telco.

**Sonae FS** expects to further strengthen the Universo card operation by growing both the number of customers and transactions.

**Sonae RP** will take the opportunities than may arise to make selected Sale & Leaseback transactions in order to maintain the target freehold, supporting the expansion of Continente's proximity network.

**Sonae Sierra** will keep the development of some targeted assets, namely Malaga, in Spain, Parma, in Italy and Cucuta in Colombia, and at the same time will continue releasing capital from the more mature shopping centres while acquiring other assets whenever interesting opportunities arise.

**NOS** will be an even more relevant player in the Portuguese telecoms market, by growing market share in all segments, investing in service quality and improving efficiency levels.

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## Individual net income

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Sonae, SGPS, SA operations, on a stand-alone basis, are essentially associated with the management of the shareholdings in its subsidiaries. In 2017, the individual net income of Sonae, SGPS, SA stood at 93,223,270.03 euros.

The amount of 383,650.00 euros is already reflected in the net income and is planned for the variable remuneration of executive directors, as a distribution of profit, pursuant to art. # 31 of the Articles of Association as proposed by the Shareholders Remuneration Committee, which is responsible for the implementation of the remuneration policy as approved at the Shareholders General Meeting held on April 28<sup>th</sup>, 2017.

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## Proposal for the appropriation of the financial year net income

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Under the terms of the law and the Articles of Association, the Board of Directors proposes to the Shareholders' General Meeting that:

- the net profit, in the amount of 93,223,270.03 euros, is allocated as follows:

Legal Reserves: 4,661,164.00 euros

Dividends: 84,000,000.00 euros

Free Reserves: 4,562,106.03 euros.

The Board of Directors accordingly proposes that a gross dividend of 0.042 euros per share is paid to the shareholders, excluding from the total dividends of 84,000,000.00 euros, the amount of dividends that would be attributable to the shares that, at the dividends distribution date, are held by the Company or by any of its subsidiaries, which should be added to the Free Reserves.

This dividend corresponds to a dividend yield of 3.7% considering the closing price of December 31<sup>st</sup> 2017 and to a payout ratio of 64% considering the direct results attributable to Sonae's shareholders.

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## Subsequent events

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### February 1<sup>st</sup> 2018

Sonae announced that had concluded the agreement with JD Sports Fashion Plc, Balaiko Firaja Invest S.L. and JD Sprinter Holdings 2010, S.L. (JD Sprinter) for the combination of JD Sprinter and Sport Zone, initially announced to the market at September 14<sup>th</sup> 2017. Further information related to this transaction is reported in the note 49 of the Financial Statements attached.

## Closing Remarks and Acknowledgements

The Board of Directors would like to thank the Statutory Audit Board and the Statutory External Auditor for their valuable advice and assistance. The Board would also like to express its gratitude to suppliers, banks and other business associates of Sonae for their continuing involvement and for the confidence that they have shown in the organisation.

The Board of Directors also expresses its gratitude to all employees for their effort and dedication throughout the year.

Approved at the meeting of the Board of Directors held on March 13<sup>th</sup> 2018

### **The Board of Directors**

Duarte Paulo Teixeira de Azevedo, Chairman and Co-CEO

Ângelo Gabriel Ribeirinho dos Santos Paupério, Executive Director and Co-CEO

José Manuel Neves Adelino, Non-Executive Director

Andrew Eustace Clavering Campbell, Non-Executive Director

Christine Cross, Non-Executive Director

Tsega Gebreyes, Non-Executive Director

Marcelo Faria de Lima, Non-Executive Director

Dag Johan Skattum, Non-Executive Director

Margaret Lorraine Trainer, Non-Executive Director



## Glossary

<b>Capex</b>	Investments in tangible and intangible assets and investments in acquisitions.
<b>Direct results</b>	Results before non-controlling interests excluding contributions to indirect results.
<b>(Direct) EBIT</b>	Direct EBT - financial results.
<b>EBITDA</b>	Underlying EBITDA + equity method results + non-recurrent items.
<b>(Direct) EBT</b>	Direct results before taxes.
<b>EBITDA margin</b>	EBITDA / turnover.
<b>Enterprise Value</b>	Market value of the investment portfolio (based on market multiples, real estate NAV and market capitalisation for listed companies).
<b>EoP</b>	End of period.
<b>Financial net debt</b>	Total net debt excluding shareholders' loans.
<b>Freehold</b>	Sales area owned by Sonae (excluding franchising) / Total sales area (excluding franchising)
<b>Gearing (book value)</b>	Average of the last four quarters considering, for each quarter, total net debt (EoP) / total shareholders' funds (EoP).
<b>Gearing (market value)</b>	Average of the last four quarters considering, for each quarter, total net debt (EoP) / equity value considering the closing price of Sonae shares on the last day of each quarter.
<b>GLA</b>	Gross Lettable Area: equivalent to the total area available to be rented in the shopping centres.
<b>Indirect results</b>	Includes Sonae Sierra's results, net of taxes, arising from: (i) investment property valuations; (ii) capital gains (losses) on the sale of financial investments, joint ventures or associates; (iii) impairment losses of non-current assets (including goodwill) and (iv) provision for assets at risk. Additionally and concerning Sonae's portfolio, it incorporates: (i) impairments in retail real estate properties; (ii) reductions in goodwill; (iii) provisions (net of taxes) for possible future liabilities and impairments related with non-core financial investments, businesses, assets that were discontinued (or in the process of being discontinued/repositioned); (iv) results from mark to market methodology of other current investments that will be sold or exchanged in the near future; and (v) other non-relevant issues.
<b>Investment properties</b>	Shopping centres in operation owned and co-owned by Sonae Sierra.
<b>Liquidity</b>	Cash & equivalents + current investments.
<b>Like for Like sales (LfL)</b>	Sales made by stores that operated in both periods under the same conditions. Excludes stores opened, closed or which suffered major upgrade works in one of the periods.
<b>Loan to value (LTV) - Holding</b>	Holding net debt / investment portfolio gross asset value; gross asset value based on market multiples, real estate NAV and market capitalisation for listed companies.

<b>Loan to value (LTV) - Shopping Centres</b>	Net debt / (investment properties + properties under development).
<b>Net asset value (NAV)</b>	Open market value attributable to Sonae Sierra - net debt - minorities + deferred tax liabilities.
<b>Net debt</b>	Bonds + bank loans + other loans + financial leases + shareholder loans - cash, bank deposits, current investments, and other long-term financial applications.
<b>Net invested capital</b>	Total net debt + total shareholders' funds.
<b>Open market value (OMV)</b>	Fair value of properties in operation and under development (100%), provided by independent international entities.
<b>Other loans</b>	Bonds, leasing and derivatives.
<b>RGU</b>	Revenue generating unit.
<b>Technical investment</b>	Tangible assets + intangible assets + other fixed assets - depreciations and amortisations.
<b>Underlying EBITDA</b>	Recurrent EBITDA from the businesses consolidated using the full consolidation method.

Methodological note: The consolidated financial information contained in this report was prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The financial information regarding quarterly and semi-annual figures was not subject to audit procedures.

Note: Sonae implemented the following changes in its reporting structure:

(i) from 1Q17, Maxmat is reported under "Sonae Retail", together with Sonae MC, Worten, Sonae Sports & Fashion and Sonae RP; and, (ii) MDS started to be consolidated through the Equity Method and was included in Sonae FS, in June 2017, after the sale of 1,773 shares from MDS SGPS to IPLF Holding. From 1Q16 until June 2017, MDS was registered as a discontinued operation.



## Appendix

## Statement under the terms of Article 245 Paragraph 1, c) of the Portuguese Securities Code

The signatories individually declare that, to their knowledge, the Management Report, the Consolidated and Individual Financial Statements and other accounting documents required by law or regulation were prepared meeting the standards of the applicable International Financial Reporting Standards, giving a truthful (fairly) and appropriate image, in all material respects, of the assets and liabilities, financial position and the consolidated and individual results of the issuer and that the Management Report faithfully describes the business evolution and position of the issuer and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face.

Approved at the meeting of the Board of Directors held on March 13<sup>th</sup> 2018

### **The Board of Directors**

Duarte Paulo Teixeira de Azevedo, Chairman and Co-CEO

Ângelo Gabriel Ribeirinho dos Santos Paupério, Executive Director and Co-CEO

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Dag Johan Skattum, Non-Executive Director

Margaret Lorraine Trainer, Non-Executive Director

## Article 447 of the Portuguese Companies Act and Article 14, paragraph 7, of the Portuguese Securities Commission (CMVM) Regulation no. 05/2008

Disclosure of the number of held shares and other securities issued by the Company and of the transactions executed over such securities, during the financial year in analysis, by the members the statutory managing and auditing bodies and by people discharging managerial responsibilities ("dirigentes"), as well as by people closely connected with them pursuant to article 248 B of the Portuguese Securities Code:

		ADDITIONS		REDUCTIONS		POSITION ON 31.12.2017	BALANCE ON 31.12.2017
	Date	Quantity	Aver. Price €	Quantity	Aver. Price €		Quantity
<b>Duarte Paulo Teixeira de Azevedo (*) (**) (***)</b>							
Efanor Investimentos, SGPS, SA (1)						Minority	
Migracom, SA (3)						Dominant	
Sonae - SGPS, SA							805.730
Shares purchased under the terms of the Short Term and Medium Term Performance Bonus	31/03/2017	410.002	0,047				
Sale	03/04/2017			410.002	0,938		
<b>Ângelo Gabriel Ribeirinho dos Santos Paupério (*)</b>							
Sonae - SGPS, SA							212.987
Shares purchased under the terms of the Short Term and Medium Term Performance Bonus	31/03/2017	348.739	0,047				
Sale	24/08/2017			300.000	0,964		
Sale	25/08/2017			50.000	0,961		
Enxomil – Consultoria e Gestão, SA (6)						Dominant	
Enxomil – Sociedade Imobiliária, SA (7)						Dominant	
<b>Maria Margarida Carvalhais Teixeira de Azevedo (**)</b>							
Efanor Investimentos, SGPS, SA (1)						Minority	
Sonae - SGPS, SA							14.901
<b>Maria Cláudia Teixeira de Azevedo (**) (***)</b>							
Efanor Investimentos, SGPS, SA (1)						Minority	
Sonae - SGPS, SA							377.318
Shares purchased under the terms of the Short Term and Medium Term Performance Bonus	31/03/2017	58.168	0,047				
Linhacom, SGPS, SA (5)						Dominant	
<b>Nuno Miguel Teixeira de Azevedo (**)</b>							
Efanor Investimentos, SGPS, SA (1)						Minority	

		ADDITIONS		REDUCTIONS		POSITION ON 31.12.2017	BALANCE ON 31.12.2017
	Date	Quantity	Aver. Price €	Quantity	Aver. Price €		Quantity
(1) Efanor Investimentos, SGPS, SA							
Sonae - SGPS, SA							200.100.000
Pareuro, BV (2)						Dominant	
(2) Pareuro, BV							
Sonae - SGPS, SA							849.533.095
(3) Migracom, SA							
Sonae, SGPS, SA							2.874.339
Purchase	03/04/2017	410.002	0,938				
Imparfin - Investimentos e Participações Financeiras, SA (4)						Minority	
(4) Imparfin - Investimentos e Participações Financeiras, SA							
Sonae - SGPS, SA							4.105.280
(5) Linhacom, SGPS, SA							
Sonae - SGPS, SA							189.314
Sale	22/11/2017			250.000	1,030		
Imparfin - Investimentos e Participações Financeiras, SA (4)						Minority	
(6) Enxomil – Consultoria e Gestão, SA							
Sonae - SGPS, SA							2.021.855
(7) Enxomil – Sociedade Imobiliária, SA							
Sonae - SGPS, SA							450.000
(*) Member of the Board of Directors of Sonae - SGPS, SA							
(**) Member of the Board of Directors of Efanor Investimentos SGPS, SA (directly and indirectly dominant company) (1)							
(***) Member of the Board of Directors of Imparfin – Investimentos e Participações Financeiras, SA (4)							

## Qualified holdings

Shares held and voting rights attributable to shareholders owning 2% or more of the share capital of the Sonae - SGPS, SA, calculated according to article 20 of the Portuguese Securities Code, as required by article 9 paragraph 1, subparagraph c), of the Portuguese Securities Market Commission (CMVM) Regulation no. 05/2008:

SHAREHOLDER	NO. OF SHARES	% SHARE CAPITAL AND VOTING RIGHTS*	% OF EXERCISABLE VOTING RIGHTS**
Efanor Investimentos, SGPS, SA (I)			
Directly	200.100.000	10,0050%	10,0050%
By Pareuro, BV (controlled by Efanor Investimentos, SGPS, SA)	849.533.095	42,4767%	42,4767%
By Maria Margarida Carvalhais Teixeira de Azevedo (Director of Efanor Investimentos, SGPS, SA)	14.901	0,0007%	0,0007%
By Maria Cláudia Teixeira de Azevedo (Director of Efanor Investimentos, SGPS, SA)	377.318	0,0189%	0,0189%
By Duarte Paulo Teixeira de Azevedo (Director of Sonae - SGPS, SA and Efanor Investimentos, SGPS, SA)	805.730	0,0403%	0,0403%
By Migracom, SA (company controlled by Efanor Investimentos, SGPS, SA's Director Duarte Paulo Teixeira de Azevedo)	2.874.339	0,1437%	0,1437%
By Linhacom, SGPS, SA (company controlled by Efanor Investimentos, SGPS, SA's Director Maria Cláudia Teixeira de Azevedo)	189.314	0,0095%	0,0095%
Total attributable to Efanor Investimentos, SGPS, SA	1 053.894.697	52,6947%	52,6947%
Banco BPI, SA			
Banco Português de Investimento, SA	365.199	0,0183%	0,0183%
Fundos de Pensões do Banco BPI	40.071.372	2,0036%	2,0036%
BPI Vida - Companhia de Seguros de Vida, SA	4.751.416	0,2376%	0,2376%
Total attributable to Banco BPI, SA (II)	178.039.855	8,9020%	8,9020%
Fundação Berardo, Instituição Particular de Solidariedade Social			
Total attributable to Fundação Berardo, Instituição Particular de Solidariedade Social	49.849.514	2,4925%	2,4925%
Magallanes Value Investors, S.A. SGIIC			
Magallanes European Equity, FI	11.435.880	0,5718%	0,5718%
Magallanes Iberian Equity, FI	9.892.847	0,4946%	0,4946%
Magallanes Value Investors, UCITS European Equity	7.555.544	0,3778%	0,3778%
Magallanes Value Investors, UCITS Iberian Equity	7.237.414	0,3619%	0,3619%
Soixa SICAV	4.393.260	0,2197%	0,2197%
Total attributable to Magallanes Value Investors, S.A. SGIIC	40.514.945	2,0257%	2,0257%

Source: communications received by the Company regarding qualified shareholding up to 31 December 2017

\*Voting rights calculated based on the Company's share capital with voting rights, as per subparagraph b) of the paragraph 3 of article 16 of the Portuguese Securities Code

\*\*Voting rights calculated based on the Company's share capital with voting rights that are not subject to suspension of exercise

(I) As from 29th November 2017, Efanor Investimentos SGPS, SA ceased to have any controlling shareholder pursuant to the set forth in articles 20 and 21 of the Portuguese Securities Code.

(II) total number of voting rights attributed to Banco BPI, SA, as per article 20 of the Portuguese Securities Code

